



TRANSAT A.T. INC.

Notice of Meeting and Management Proxy Circular
in respect of the

2013 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD AT THE FAIRMONT THE QUEEN ELIZABETH, 900 RENÉ-LÉVESQUE W., SALON ST-FRANÇOIS, MAIN LOBBY,
MONTRÉAL, QUÉBEC, CANADA, H3B 4A5

On March 14, 2013 at 10:00 a.m. (Eastern Time)

Welcome
Καλώς ήρθατε Bienvenido Bienvenue Bem-vindo
Bem-vindo Welcome Willkommen
Welkom Willkommen Bienvenido Benvenuto
Hoş geldiniz Bienvenue Welkom
Benvenuto

January 21, 2013



WHAT'S INSIDE THIS MANAGEMENT PROXY CIRCULAR

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NOTICE OF THE 2013 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 at the Fairmont The Queen Elizabeth, 900 René-Lévesque Blvd. W., Salon St-François, Main Lobby, Montréal, Québec, Canada, H3B 4A5, **on March 14, 2013 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, 2012 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 approve, in an advisory, non-binding capacity, a resolution, as set out in Appendix B to this Management Proxy Circular, regarding the Corporation’s approach to executive compensation;
5. To review and, if deemed appropriate, adopt the resolution set out in the Management Proxy Circular in order to ratify the amendments to the by-laws of the Corporation, as described in detail in the Circular; the full text of the amended by-laws is reproduced in Appendix C of the Management Proxy Circular;
6. To review and, if deemed appropriate, adopt the resolution set out in the Management Proxy Circular in order to ratify the advance notice by-law, as described in detail in the Circular; the full text of the advance notice by-law is reproduced in Appendix D of the Management Proxy Circular;
7. To transact any other business which may properly come before the Meeting or any adjournment thereof.

We invite you to read the information provided in the Circular about the above-mentioned items. It is important that you exercise your vote, either in person at the Meeting or by completing and returning the proxy form. This Meeting gives you 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, 2012. **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, CST Phoenix Advisors toll free at 1-866-822-1239 or by email at inquiries@phoenixadvisorscst.com.

Made at Montréal, Québec, on January 21, 2013.

BY ORDER OF THE BOARD OF DIRECTORS

Transat A.T. Inc.



Bernard Bussi eres
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 12, 2013 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 transmitted to CST, 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) by PERSONAL DELIVERY 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 by the chair of the Meeting at his or her 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 21, 2013. 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 at the Fairmont The Queen Elizabeth, 900 René-Lévesque Blvd. W., Salon St-François, Main Lobby, Montréal, Québec, Canada, H3B 4A5, on Thursday, March 14, 2013 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) the consideration and approval, in an advisory, non-binding capacity, of a resolution, as set out in Appendix B of this Management Proxy Circular, in respect of the Corporation’s approach to executive compensation;
- (iv) the adoption of an ordinary resolution ratifying the amendments made to Transat’s by-laws (the “**By-Law Amendment Ratification Resolution**”);
- (v) the adoption of an ordinary resolution ratifying the advance notice by-law (the “**Advance Notice By-Law Ratification Resolution**”);
- (vi) any other business which may properly come before the Meeting or any adjournment thereof.

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 resolution regarding the approach to executive compensation, the By-Law Amendment Ratification Resolution and the Advance Notice By-Law Ratification Resolution 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**”), 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 21, 2013, 876,584 Class A Variable Voting Shares and 37,471,017 Class B Voting Shares of the share capital of Transat were issued and outstanding. You are entitled to receive notice of, and vote at the Meeting or at any adjournment thereof if you were a holder of voting shares on January 21, 2013, 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 21, 2013, 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 5,531,882 Class B Voting Shares representing approximately 14.76% of all issued and outstanding Class B Voting Shares; and
- (ii) **Fonds de solidarité FTQ**, which held 4,888,117 Class B Voting Shares representing approximately 13.04% of all issued and outstanding Class B Voting Shares.

Moreover, as at January 21, 2013, 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 334,029 Class A Variable Voting Shares representing approximately 38.10% of all issued and outstanding Class A Variable Voting Shares; and
- (iv) **Norges Bank**, which held 276,630 Class A Variable Voting Shares representing approximately 31.55% of all issued and outstanding Class A Variable Voting Shares.

7. Q: HOW DO I VOTE?

A: If you are entitled 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
On the Internet
By mail, fax or personal delivery

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 12, 2013.

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 over the Internet is 5:00 p.m. (Eastern Time) on March 12, 2013.

By mail, fax or personal delivery

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 Department; (ii) by mail, in the prepaid envelope provided for this purpose; or (iii) by personal delivery at 320 Bay Street, Banking Hall, Toronto, Ontario, M5H 4A6, Attention: Proxy Department, 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 forward to CST, no later than March 12, 2013 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 approval of the non-binding advisory resolution regarding the Corporation's approach to executive compensation;**
- (iv) **FOR the adoption of the By-Law Amendment Ratification Resolution;**
- (v) **FOR the adoption of the Advance Notice By-Law Ratification Resolution.**

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 12, 2013 (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 12, 2013 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 CST Phoenix Advisors, a proxy solicitation firm, for assistance in connection with the solicitation of proxies for the Meeting for a fee of approximately \$25,000 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, CST Phoenix Advisors, toll-free at 1-866-822-1239 (or 201-866-2222 collect) or by email at inquiries@phoenixadvisorscst.com with any question 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, 2012 and report of the auditors thereon, and the comparative financial statements for the years ended October 31, 2011 and 2012, 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 ten (10) directors. In accordance with a resolution adopted by our Board of Directors on January 9, 2013, the number of directors of the Corporation to be elected at the Meeting has been set at ten (10).

Ten (10) directors will be put forward at the Meeting as nominees for election to the Board, of which seven (7) are independent from the Corporation. See section 8.4 "Independence of Directors" 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 ten (10) 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 21, 2013 (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, 2012, 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.

Louis-Marie Beaulieu						
Age: 59 Mandatory retirement: 2029 Québec, Canada Independent ⁽¹⁾		<p>Louis-Marie Beaulieu is Chairman of the Board and CEO as well as majority shareholder of Groupe Desgagnés inc., a private company specialized in marine transportation of general cargo and passengers. Before acquiring Desgagnés in 1987, he held the position of Director of Finance and Administration in the company from 1981 to 1987, after having worked as an auditor at Mallette, Benoit, Boulanger, Rondeau in Québec City.</p> <p>He is currently a member of several boards of directors, including those of SCALA, the Canadian Shipowners Association, the Chamber of Marine Commerce and the Conseil du patronat du Québec, as well as a member of various organizations and associations, including the Marine Transportation Advisory Council, the Cercle des présidents and the QG-100 Network.</p> <p>Over the course of his career, Mr. Beaulieu has served on many boards of directors and audit committees, including those of the St-Lawrence Economic Development Council (SODES), the Société de l'assurance automobile du Québec (SAAQ), the Société Immobilière du Québec and the Canadian Commercial Corporation (CCC). He also served as chairman of a number of audit committees, including those of SAAQ, CCC and Standard Compensation Act Liability Association Ltd. (SCALA).</p> <p>In addition, Mr. Beaulieu was a member of various organizations, such as the Commission des études of UQAR, president of the National Marine and Industrial Coalition as well as president of the Great Lakes / St-Lawrence Maritime and Industrial Coalition. He also served as co-president of the Marine Industry Forum with the Québec Minister of Transport.</p> <p>A graduate of the Université du Québec à Rimouski (UQAR) and a Fellow of the Ordre des comptables professionnels agréés du Québec, Mr. Beaulieu also holds a diploma from McMaster University's corporate governance program, granting him the designation of Chartered Director.</p>				
Areas of expertise: Transportation Professional services Community involvement Corporate management Corporate governance Finance/Accounting Operations International Business development/Mergers-acquisitions Strategic planning						
Board/Committee membership		Attendance		Fees paid during FY 2012⁽²⁾	Value of equity compensation in FY 2012⁽²⁾	
n/a		n/a	n/a	n/a	n/a	
		n/a	n/a	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, 2012 ⁽⁴⁾	Compliance with requirement ⁽⁶⁾	Stock options
n/a	n/a	n/a	n/a	n/a	n/a	n/a

Lina De Cesare						
Age: 61 Mandatory retirement: 2027 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, Tour Operators as well as 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 Ocean, and was a member of the Board of Directors of Cirque Éloize from April 2008 to 2011 and of Société Solareh from August 2009 to 2011.				
Areas of expertise: Tourism Transportation/Air transportation Corporate management Operations Consumer goods/Retail International Hotel industry Strategic planning Community involvement						
Board/Committee membership		Attendance		Fees paid during FY 2012⁽²⁾	Value of equity compensation in FY 2012⁽²⁾	
Board of Directors		9 of 10	90%	\$46,000	\$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, 2012 ⁽⁴⁾	Compliance with requirement	Stock options
102,576	5,610	108,186	\$636,134	\$105,000	Yes	73,254

Jean Pierre Delisle						
Age: 68 Mandatory retirement: 2020 Québec, Canada Director since September 2007 Independent ⁽¹⁾ Areas of expertise: Corporate governance Financial services Finance and accounting Professional services Corporate management Business development Board service for other public companies	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 offerings (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 is a member of the Ordre des comptables professionnels du Québec since 1967. In 2009, he obtained the designation of "Certified Corporate Director" from Université Laval.					
Board/Committee membership	Attendance		Fees paid during FY 2012⁽²⁾		Value of equity compensation in FY 2012⁽²⁾	
Board of Directors	10 of 10	100%	\$47,000		\$15,000	
Audit Committee	5 of 5	100%	\$12,500		-	
Corporate Governance and Nominating Committee	5 of 5	100%	\$4,892		-	
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, 2012 ⁽⁴⁾	Compliance with requirement	Stock options
33,000	7,178	40,178	\$236,247	\$129,000	Yes	-

W. Brian Edwards

Age: 63
Mandatory retirement: 2025
Québec, Canada
Director since June 2010
Independent⁽¹⁾

Areas of expertise:

Technology
Professional services
Corporate management
Corporate governance
Board service for other public companies
Human resources
Marketing/Sales
International
Operations
Strategic planning
Business development
Community involvement

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 boards of directors and board committees of a number of corporations. From 2004 to 2012, M. Edwards was the Chairman of the Board of Directors of Miranda Technologies Inc., a public company listed on the TSX, until its acquisition in August 2012.

He is the Chairman of the Board of Directors of AtmanCo, a corporation merged with Biotonix 2010 Inc. in November 2012. 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 the chairman of its compensation committee. Mr. Edwards was also a member of the Board of Governors of Concordia University from 2000 to 2012, as well as its Vice-Chair from 2005 to 2012, in addition to holding a Bachelor of Commerce degree from this university.

Board/Committee membership	Attendance		Fees paid during FY 2012 ⁽²⁾	Value of equity compensation in FY 2012 ⁽²⁾
Board of Directors	10 of 10	100%	\$34,375	\$25,653
Executive Committee	–	–	\$946	\$571
Human Resources and Compensation Committee (Chair)	7 of 7	100%	\$12,582	\$180
Corporate Governance and Nominating Committee	5 of 5	100%	\$9,375	\$750

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, 2012 ⁽⁴⁾	Compliance with requirement	Stock options
18,790	9,429	28,219	\$165,910	\$153,000	Yes	–

Jean-Marc Eustache						
Age: 65 Mandatory retirement: 2023 Québec, Canada Director since February 1987 Non-independent ⁽¹⁾ (Executive officer)		Jean-Marc Eustache is Chairman of the Board, President and CEO, and chair 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 Directors of Transat Tours Canada Inc., a subsidiary of the Corporation. He also serves on the boards 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 on 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 Transportation/Air transportation Corporate management Operations Board service for other public companies Consumer goods/Retail Mergers-acquisitions International Corporate governance Community involvement						
Board/Committee membership		Attendance		Fees paid during FY 2012⁽²⁾	Value of equity compensation in FY 2012⁽²⁾	
Board of Directors (Chair)		10 of 10	100%	–	–	
Executive Committee (Chair)		–	–	–	–	
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 ⁽⁴⁾	Minimum equity ownership required as at October 31, 2012 ⁽⁵⁾	Compliance with requirement	Stock options
401,766	10,331	412,097	\$4,130,209	\$2,466,000	Yes	862,533

Jean-Yves Leblanc						
Age: 66 Mandatory retirement: 2022 Québec, Canada Director since December 2008 Lead Director Independent ⁽¹⁾ Areas of expertise: Corporate governance Transportation Corporate management Finance Mergers-acquisitions Board service for other public companies Operations International Strategic planning Human resources Community involvement		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 Groupe Kéolis S.A.S. (France) since 2007 and is also the chairman of its audit and risk management, compensation, and railway safety committees. 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 the 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 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 the chairman of its human resources and governance committee. Mr. Leblanc was Chairman of the Board of Directors 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. He also served as a director of the Montreal Heart Institute from 2001 to 2011. 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.				
Board/Committee membership		Attendance		Fees paid during FY 2012⁽²⁾		Value of equity compensation in FY 2012⁽²⁾
Board of Directors (Lead Director)		10 of 10	100%	\$63,264		\$18,806
Executive Committee		–	–	\$1,892		–
Human Resources and Compensation Committee		7 of 7	100%	\$12,500		–
Corporate Governance and Nominating Committee		5 of 5	100%	\$5,608		–
Audit Committee (Chair)		5 of 5	100%	\$12,458		–
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 ⁽⁴⁾	Minimum equity ownership required as at October 31, 2012 ⁽⁴⁾	Compliance with requirement ⁽⁴⁾	Stock options
5,000	8,301	13,301	\$176,938	\$243,000	In progress	–

Jacques Simoneau

Age: 55
Mandatory retirement: 2033
Québec, Canada
Director since November 2000
Independent⁽¹⁾

Areas of expertise:

Financial services
Corporate governance
Transportation/Air transportation
Finance/Accounting
Marketing, communications, advertising
Strategic planning
Operations
Technology
Academic community
International
Marketing/Sales
Human resources
Business development/Mergers-acquisitions
Corporate management
Board service for other public companies

M. Jacques Simoneau is President and CEO as well as a director of Gestion Univalor, LP, a limited partnership with the mission to commercialize the innovations of the researchers of the Université de Montréal and its affiliated institutions. He is also a director of various corporations as well as a member and Institute-certified Director (ICD.D) of the Institute of Corporate Directors. Mr. Simoneau was Executive Vice President, Investments of the Business Development Bank of Canada from 2006 to 2010. In that capacity, he was responsible for the venture capital and subordinate financing portfolios. Prior to assuming this 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 Exploration Azimut Inc., Diagnostics Inc. and 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 has also served on the boards of directors of three other public companies and about twelve private companies since 1995. Mr. Simoneau is a mechanical engineer and holds a M.Sc. from Université Laval as well as a Ph.D. from Queen's University. He is a member of the Ordre des ingénieurs du Québec and of Professional Engineers Ontario.

Board/Committee membership	Attendance		Fees paid during FY 2012 ⁽²⁾	Value of equity compensation in FY 2012 ⁽²⁾
Board of Directors	10 of 10	100%	\$48,000	\$15,000
Executive Committee	–	–	\$3,000	–
Audit Committee	5 of 5	100%	\$12,500	–
Corporate Governance and Nominating Committee (Chair)	5 of 5	100%	\$17,500	–

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 ⁽⁴⁾	Minimum equity ownership required as at October 31, 2012 ⁽⁴⁾	Compliance with requirement	Stock options
15,580	7,792	23,372	\$235,855	\$159,000	Yes	671

Philippe Sureau

Age: 63
Mandatory retirement: 2025
Québec, Canada
Director since February 1987
Non-independent⁽¹⁾
(Ex-executive officer)

Areas of expertise:

Tourism
Transportation/Air transportation
Technology
Corporate management
Corporate governance
Mergers-acquisitions
Consumer goods/Retail
Strategic planning
Marketing
Operations
International

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 Directors of Travel Superstore Inc. Until just recently, he was also President, Distribution of the Corporation and served on the boards 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 of Directors 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 Directors of the Corporation du Théâtre Outremont.

Board/Committee membership	Attendance		Fees paid during FY 2012 ⁽²⁾	Value of equity compensation in FY 2012 ⁽²⁾
Board of Directors	9 of 10	90%	\$33,375	\$23,750

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, 2012 ⁽⁴⁾	Compliance with requirement	Stock options
366,609	8,610	375,219	\$2,206,288	\$105,000	Yes	84,408

John D. Thompson

Age: 78
 Mandatory retirement: *
 Québec, Canada
 Director since April 1995
 Independent⁽¹⁾

Areas of expertise:

Financial services
 Corporate governance
 Corporate management
 Finance
 Mergers-acquisitions
 Human resources
 Board service for other public companies

John D. Thompson is a corporate director. Prior to 1995, he was President and CEO of Montreal Trust and Chairman of the Board of Directors 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).

* At the request of the Board of Directors, John D. Thompson continues to be a member of the Board, in view of his years of service with the Corporation and the diversity of his expertise.

Board/Committee membership	Attendance		Fees paid during FY 2012 ⁽²⁾	Value of equity compensation in FY 2012 ⁽²⁾
Board of Directors	10 of 10	100%	\$45,313	\$20,625
Executive Committee	–	–	\$921	\$375
Human Resources and Compensation Committee	7 of 7	100%	\$14,461	–
Audit Committee	5 of 5	100%	\$12,188	\$625

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, 2012 ⁽⁴⁾	Compliance with requirement	Stock options
25,000	15,076	40,076	\$235,647	\$129,000	Yes	2,943

Dennis Wood, O.C.

Age: 73
Mandatory retirement: 2015
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-acquisitions
Board service for other public companies
Corporate management
Human resources

Board/Committee membership	Attendance		Fees paid during FY 2012 ⁽²⁾	Value of equity compensation in FY 2012 ⁽²⁾
Board of Directors	10 of 10	100%	\$12,000	\$50,000
Human Resources and Compensation Committee	7 of 7	100%	\$9,500	\$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, 2012 ⁽⁴⁾	Compliance with requirement	Stock options
7,143	28,762	35,905	\$211,121	\$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, 2012.

(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 21, 2013 (\$5.88) 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 and DSUs 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) 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.

(6) Under the guidelines adopted by the Corporation, Mr. Beaulieu, if elected, will have a three-year period to comply with the minimum equity ownership requirement.

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

Except for Denis Wood and Jacques Simoneau, who both serve on the Board of Directors of Azimut Exploration, Inc., no member of our Board of Directors serves with another member of the Board of Directors of another operating corporation. It should be noted that Messrs. Wood and Simoneau do not serve together on a committee of the 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. The amount used to determine compliance with the directors' minimum equity ownership requirement is (i) the cost of acquiring the shares and DSUs 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. As at the date of this Circular, all the directors already comply or, in the case Mr. Jean-Yves Leblanc, is or was 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 and ratified by the Board of the Corporation.

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 2012, the aggregate amounts billed for professional services provided by the auditors to the Corporation and its subsidiaries were approximately \$1,139,000 for audit fees, \$81,000 for audit-related fees and \$185,000 for tax fees; the comparative figures for 2011 were approximately \$1,111,000, \$77,000 and \$162,000, respectively. During those two years, no amounts were billed for all other non-audit fees. "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. AMENDMENTS TO THE BY-LAWS OF THE CORPORATION

The Corporation had made a commitment to its shareholders to review its governance structure and amend its by-laws in order to provide for the appointment of a single Lead Director to the Corporation's Board of Directors. On February 23, 2012 and March 15, 2012, the Corporation's Board of Directors passed a resolution amending certain provisions of the Corporation's by-laws. These amendments are part of an effort to have a governance structure ensuring yet further independence of the Board from management. The amendments change the governance structure of the Board of Directors, which involved the appointment of three lead directors, in order to provide for the appointment of a single Lead Director. The Lead Director, elected from among the independent directors each year, is responsible, in particular, for preparing the agenda of the meetings of the Board of Directors, in conjunction with the Chair of the Board and President and Chief Executive Officer. He is also responsible for seeing to the efficient operation of the Board of

Directors in order to ensure that it functions independently of the management and, when this proves necessary, may call meetings of the independent directors, prepare the agenda and chair these meetings, as well as all the *in camera* meetings held without the presence of the management in order to give the directors the opportunity to discuss certain subjects openly and provide feedback to the officers. Therefore, the by-laws of the Corporation have been amended to reflect this new governance structure and provide, in particular, that the quorum required for the Meetings of Shareholders is at least two shareholders holding a minimum of twenty-five percent (25%) of the outstanding shares of the Corporation instead of fifteen percent (15%), as was previously provided.

Thus, during the Meeting, the shareholders will review and, if they deem it appropriate, adopt the resolution set out below (the “**By-Law Amendment Ratification Resolution**”) with a view to ratifying the amendments made to the by-laws of the Corporation in order:

- i) To provide that the quorum required for the meeting of shareholders is at least two (2) shareholders holding a minimum of twenty-five percent (25%) of the outstanding shares, rather than at least two (2) shareholders holding fifteen percent (15%) of the outstanding shares, as was provided;
- ii) To provide that if there is no chairperson of the meeting of shareholders, if the Chairman is absent or if the Chairman is unwilling to act as chairperson of the meeting, the Lead Director may act as chairperson of the meeting, rather than the President of the Corporation;
- iii) To provide that the Board must hold at least four (4) meetings a year, not exceeding a period of four (4) months between meetings;
- iv) To provide that the meetings of the Board of Directors may be called by order of the Lead Director;
- v) To provide that the quorum required for any meeting of the Board is the majority of the number of directors in office;
- vi) To provide that if there is no Chairman of the Board, if the Chairman of the Board is absent or if the Chairman of the Board refuses to act as chairperson of the Board, the Lead Director may chair the Board, rather than the President of the Corporation;
- vii) To abolish the casting vote of the chairperson of the meeting in case of a tie vote;
- viii) To provide that a single lead director be selected from among and by the independent directors, and that, in particular, he be responsible for performing his duties independently of the management and for accomplishing the tasks determined by the independent directors; and
- ix) To provide that the Lead Director be considered a representative of the Corporation.

At the Meeting, the shareholders will be asked to consider and, if it is deemed appropriate, adopt the following resolution ratifying the amendments made to the by-laws of the Corporation:

“WHEREAS at its meeting of March 15, 2012, the Board of Directors of the Corporation adopted, subject to approval by the shareholders, a resolution approving (i) the amendment to subsection 2.3 of the by-laws, which provides for increasing the quorum to at least two (2) shareholders holding a minimum of twenty-five percent (25%) of the outstanding shares; (ii) the amendment to subsection 2.4 of the by-laws, which provides that if there is no chairperson of the meeting of shareholders, if the Chairman is absent or if the Chairman is unwilling to act as chairperson of the meeting, the Lead Director may act as chairperson of the meeting; (iii) the amendment to subsection 3.2 of the by-laws, which provides that the frequency of meetings of the Board of Directors will be no less than four (4) meetings a year, and that the period between meetings must not exceed four (4) months; (iv) the amendment to subsection 3.3 of the by-laws, which provides that the meetings of the Board of Directors may be called, in particular, by the Lead Director; (v) the amendment to subsection 3.5 of the by-laws, which provides that for any meeting of the Board of Directors, the quorum will be the majority of the number of directors in office from time to time; (vi) the amendment to subsection 3.6 of the by-laws, which provides that if there is no chairperson of the meeting of the Board, if the Chairman is absent or if the Chairman refuses to act as chairperson of the Board, the Lead Director will chair the meeting; (vii) the amendment to subsection 3.7 of the by-laws, which abolishes the casting vote; (viii) the addition of subsection 3.11 to the by-laws and the amendment to subsection 4.2 of the by-laws, which provide for the appointment and the role of the lead director; and (ix) the amendment to subsection 7.4 of the by-laws, which provides for the persons who have the power to act as representatives of the Corporation;

RESOLVED:

1. THAT amendments made to the by-laws by the Corporation, described in the Corporation’s Management Proxy Circular dated January 21, 2003, be, and hereby are, approved;

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 By-Law Amendment Ratification Resolution.

In order to be adopted and to become effective, the resolution requires a favorable vote of a majority of the votes cast, in person or by proxy, at the Meeting. The full text of the by-laws of the Corporation with the amendments is available in Appendix C to this Circular.

5. RATIFICATION OF THE ADVANCE NOTICE BY-LAW

On January 9, 2013, the Board of Directors of the Corporation adopted the advance notice by-law, the full text of which is reproduced in Appendix D to this Circular. Among other things, this by-law sets a deadline by which shareholders must submit a notice of director nominations to the Corporation prior to an annual or special meeting of shareholders at which directors must be elected. It also sets forth the information that a shareholder must include in the notice for it to be valid. The by-law allows the Corporation and its shareholders to receive adequate prior notice of director nominations, as well as sufficient information on all the nominees. The Corporation and its shareholders will thus be able to evaluate the proposed nominees’ qualifications and suitability as directors. This by-law will also facilitate an orderly and efficient meeting process. At the meeting, shareholders will be asked to review and, if deemed appropriate, to adopt the following resolution in order to ratify the advance notice by-law:

“RESOLVED:

THAT the advance notice by-law adopted by the Board of the Corporation, the text of which is reproduced in Appendix D to the Management Proxy Circular, be ratified;

THAT any director or officer be and is hereby authorized and instructed, for and on behalf of the Corporation, to take all actions and do all things that such person deems necessary or advisable to give effect to this resolution.”

The Board and management believe that the advance notice by-law is in the best interests of the Corporation and its shareholders and, therefore, recommend that shareholders vote FOR the Advance Notice By-Law Ratification Resolution which, in order to be adopted, requires the affirmative vote of not less than a simple majority of the votes cast, in person or by proxy, at the Meeting.

Unless a shareholder indicates otherwise, the voting rights attached to the shares represented by the proxy form enclosed herewith will be voted FOR the the Advance Notice By-Law Ratification Resolution.

6. DIRECTORS’ COMPENSATION

▪ Annual Retainer and Attendance Fees

During the year ended October 31, 2012, 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

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

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

During the meeting of the Human Resources and Compensation Committee of June 22, 2012, the directors' compensation policy was amended to include compensation for the Lead Director. During this meeting, it was resolved to grant additional compensation for the office of Lead Director, \$25,000 annually in cash and \$10,000 annually in DSUs.

**Addition to the compensation policy
in force since June 22, 2012**

Additional annual compensation payable to the Lead Director	\$25,000 in cash and an additional amount of \$10,000 awarded in DSUs, at \$2,500 per quarter
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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, 2012, 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 (DSU) (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	47,803	27,500	15,000	–	–	–	5,306	95,609
Madeleine Chenette ⁽⁶⁾	–	11,000	32,826	–	–	–	254	44,080
Lina De Cesare	35,000	11,000	15,000	–	–	–	2,548	63,548
Jean Pierre Delisle	41,892	22,500	15,000	–	–	–	1,930	81,321
W. Brian Edwards	28,778	28,500	27,154	–	–	–	2,940	87,372
Jean-Yves Leblanc	66,222	29,500	18,806	–	–	–	127	114,655
Jacques Simoneau	53,000	28,000	15,000	–	–	–	119	96,119
Philippe Sureau	21,875	11,500	23,750	–	–	–	1,071	58,196

Name	Compensation (\$)		Share-based awards (DSU) (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	43,382	29,500	21,625	–	–	–	2,753	97,260
Dennis Wood	0	21,500	53,000	–	–	–	–	74,500

(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) Ms. Chenette left office as a director on July 12, 2012.

▪ 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, 2012										
	Quarter								Total DSUs credited (#)	Total value of DSUs credited (\$)
	Q1 January 31		Q2 April 30		Q3 July 31		Q4 October 31			
	(#)	(\$)	(#)	(\$)	(#)	(\$)	(#)	(\$)		
André Bisson	522	3,750	537	3,750	701	3,750	1,176	3,750	2,936	15,000
Madeleine Chenette	–	–	1,791	12,500	2,410	12,891	2,179	7,434	6,380	32,825
Lina De Cesare	522	3,750	537	3,750	701	3,750	1,176	3,750	2,936	15,000
Jean Pierre Delisle	522	3,750	537	3,750	701	3,750	1,176	3,750	2,936	15,000
W. Brian Edwards	522	3,750	537	3,750	1,781	9,529	3,174	10,125	6,014	27,154
Jean-Yves Leblanc	522	3,750	537	3,750	701	3,750	2,369	7,556	4,129	18,806
Jacques Simoneau	522	3,750	537	3,750	701	3,750	1,176	3,750	2,936	15,000
Philippe Sureau	522	3,750	537	3,750	1,519	8,125	2,547	8,125	5,125	23,750
John D. Thompson	984	7,063	1,012	7,063	701	3,750	1,176	3,750	3,873	21,625
Dennis Wood	1,845	13,250	1,898	13,250	2,477	13,250	4,154	13,250	10,374	53,000

7. EXECUTIVE COMPENSATION DISCUSSION AND ANALYSIS

7.1 *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:

7.1.1 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.

7.1.2 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.

7.1.3 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.

7.2 *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 their implementation with non-unionized employees. 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. Mr. Brian Edwards was appointed chair of the Committee on March 15, 2012, replacing Mr. John D. Thompson. 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 boards 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. John D. Thompson held the position of Chief Executive Officer and was a member of the boards 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 Groupe Kéolis S.A.S. (France) and Pomerleau Inc. 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 Pethealth Inc.

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. During the review performed in the last fiscal 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.

Moreover, as part of the review of all risks presented to the Corporation's Corporate Governance and Nominating Committee, 67 risks have been identified, 9 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. 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.

7.3 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.

7.4 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 fiscal 2012, PCI-Perrault Conseil Inc. performed assignments concerning senior executive compensation and evaluation of the Board. The total fees paid to PCI-Perrault Consulting Inc. for the services rendered to the Committee and to the Corporate Governance and Nominating Committee during fiscal 2012 amount to \$12,811 and \$8,025 respectively (compared to \$28,525 and \$12,212 in 2011).

7.5 Total Compensation Components

The following table sets forth the components of the total compensation for executive officers, the objectives and the criteria for progression or 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. <ul style="list-style-type: none"> 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. 	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 2 nd and 3 rd years after the year of the award.		x	Individual investment and price per share

7.5.1 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 fiscal year.

The salaries of the Named Executive Officers, including the President and Chief Executive Officer, Jean-Marc Eustache, were not increased as at January 1, 2012.

In December 2012, it was decided that the base salaries of most of Transat's senior executives would be frozen for 2013. Therefore, there will be no salary increase effective January 1, 2013 for the Named Executive Officers, except for Mr. Pétrin, who will be entitled to a 4% salary review, consistent with the market comparison done in 2010.

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 is payable 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 financial target set for the six-month winter 2012 period (from November 2011 to April 2012) was not achieved. However, the financial target set for the six-month summer 2012 period (from May 2012 to October 2012) was achieved, resulting in payment of this special bonus to the level 1 to 14 managers employed by Transat, which represents 4% of the base salary earned during the summer six-month period. It should be noted that the Named Executive Officers waived their special bonus.

7.5.2 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. No change was made to Transat's group insurance plan in 2012.

7.5.3 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 during fiscal 2012.

7.5.4 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 during fiscal 2012.

7.5.5 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 profitability;
- ✓ 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 fiscal 2012, the target was adjusted net earnings equivalent to 1.50% of the revenue, i.e. \$54,788,922.

The following are the main points of the STIP:

- the bonus calculation includes two components with a 50%-50% weighting, namely Transat’s adjusted net earnings and the subsidiary’s adjusted EBIT;
- if the parent company Transat A.T. Inc. does not reach the adjusted net earnings threshold equivalent to 0.75% of the revenue, 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 fiscal 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 fiscal year concerned for approval by the Board.

For fiscal 2012, Transat did not reach the minimum threshold required for bonuses to be paid. 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 9, 2013, 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.

▪ **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 fiscal 2012, when the financial criteria calculated at the end of the fiscal year reaches the budgeted target (i.e. adjusted net earnings of 1.50%), 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 2.50% 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 0.75%, the bonus paid is equal to 25% of the target bonus, i.e. 18.75% of the base salary. When the threshold of 0.75% 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 fiscal 2012.

For fiscal 2013, 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 fiscal year may not be deferred under any circumstances.

The following table shows, 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 fiscal 2012:

Name	Minimum bonus opportunity (% of base salary)	Target bonus opportunity (% of base salary)	Maximum bonus opportunity (% of base salary)	Bonus paid for FY 2012 (\$)
Jean-Marc Eustache	0	75%	150%	0
Allen B. Graham	0	50%	100%	0
Denis Pétrin	0	50%	100%	0
Daniel Godbout	0	45%	90%	0
André De Montigny	0	37.5%	75%	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, 2011 and 2012.

7.5.6 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 45 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	87.5%	15.0%	10.0%
Denis Pétrin	87.5%	15.0%	10.0%
Daniel Godbout	75.0%	10.0%	10.0%
André De Montigny	75.0%	10.0%	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 during fiscal 2012 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, as determined as at the date of the Corporation's most recent audited financial statements, 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 fiscal 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 5.08% of the issued and outstanding voting shares of the Corporation as at October 31, 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.

No change was made to the Corporation’s Stock Option Plans during fiscal 2012.

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 Talent Management 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 during Fiscal 2012

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, an aggregate 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 YEAR ENDING OCTOBER 31
Year 2012	33 ¹ / ₃ %	If equal to or greater than 0.75%
	(carried over to 2015)	If less than 0.75%
Year 2013	33 ¹ / ₃ %	If equal to or greater than 0.75%
	(carried over to 2016)	If less than 0.75%
Year 2014	33 ¹ / ₃ %	If equal to or greater than 0.75%
	(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.

Status of Outstanding Options – Former Plan

During fiscal 2012, a total of 95,791 Options were granted under the Former Plan at an exercise price of \$7.48, including 46,791 to Named Executive Officers, representing 0.12% of the total number of voting shares outstanding as at October 31, 2012.

As at October 31, 2012, 1,068,284 Options, representing approximately 2.79% of the aggregate number of voting shares then outstanding, had been granted under the Former Plan but had not yet been exercised. Also during fiscal 2012, 169,677 Options were cancelled and/or expired, and no Options were exercised. In addition, 178,937 voting shares were reserved and available for future option grants under the Former Plan, for an aggregate of 1,247,221 voting shares, or approximately 3.26% of the aggregate number of voting shares issued and outstanding or available for the purposes of the stock option plans.

Status of Outstanding Options – 2009 Plan

During fiscal 2012, 638,582 Options were granted under the 2009 Plan at an exercise price of \$7.48, including an aggregate of 339,421 to Named Executive Officers, representing 0.88% of the aggregate number of voting shares outstanding as at October 31, 2012.

As at October 31, 2012, 1,131,526 Options, representing approximately 2.95% of the aggregate number of voting shares then outstanding, had been granted under the 2009 Plan but had not yet been exercised. Also during fiscal 2012, 109,363 Options were cancelled and/or expired, and no Options were exercised under the 2009 Plan. In addition, 813,474 voting shares were reserved and available for future option grants under the 2009 Plan, for an aggregate of 1,945,000 voting shares, or approximately 5.08% of the aggregate 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 during fiscal 2012 is in compliance with the guidelines presented above.

Additional information on Options, including the weighted average exercise price of all outstanding Options as at October 31, 2012, may be found in our 2012 Annual Report available on the SEDAR website at www.sedar.com.

Recent Grant of Stock Options

On January 9, 2013, 766,620 Options were granted under the 2009 Plan at an exercise price of \$6.01. Of this number, an aggregate of 414,176 Options were granted to Named Executive Officers, representing approximately 2.0% of the aggregate number of voting shares outstanding as at January 9, 2013.

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 YEAR ENDING OCTOBER 31
Year 2013	33 ¹ / ₃ %	If equal to or greater than 0.75%
	(carried over to 2016)	If less than 0.75%
Year 2014	33 ¹ / ₃ %	If equal to or greater than 0.75%
	(carried over to 2015)	If less than 0.75%
Year 2015	33 ¹ / ₃ %	If equal to or greater than 0.75%
	(carried over to 2016)	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%

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 YEAR ENDING OCTOBER 31
	(cancellation of 33 ^{1/3} % of the Options) ⁽¹⁾	If less than 0.75%
Year 2018	33 ^{1/3} % (if tranche carried over from 2015)	If equal to or greater than 0.75%
	(cancellation of 33 ^{1/3} % of the Options) ⁽¹⁾	If less than 0.75%
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
Year 2022	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 on the achievement of a financial performance criterion. For the cycle ended in 2012 (2009-2012 cycle), the financial performance criterion is the weighted average return on shareholders' equity ("RSE") that was achieved for the three-year cycle. For the cycles that will end in 2013, 2014 and 2015, the financial performance criterion is the average adjusted net earnings ("ANE") that will be achieved for the three-year cycle.

- ✓ All awarded RSUs vest upon the achievement of an average RSE or ANE target over a three-year cycle.
- ✓ No RSU vests if the return is lower than an average RSE or ANE 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.

No cash payment was made for the 2009-2012 cycle, which ended on October 31, 2012, since the financial performance criterion set for this cycle was not achieved. For this cycle, vesting and the performance criterion were 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%		100.00%	
	≥ 11.44%	< 12.00%	75.00%	< 100.00%
	≥ 10.88%	< 11.44%	50.00%	< 75.00%
	≥ 9.94%	< 10.88%	37.50%	< 50.00%
Threshold	≥ 9.00%	< 9.94%	25.00%	< 37.50%
Below threshold		< 9.00%	0.00%	

RSUs awarded during fiscal 2012

During fiscal 2012, 373,146 RSUs were awarded and may vest if the average net adjusted earnings target is achieved for the three-year cycle that will end in January 2015. Of this number, an aggregate of 28,395 RSUs were awarded to Named Executive Officers. The RSUs may vest according to the following parameters:

Average adjusted net earnings realized (2011-2014), 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%

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 9, 2013, 458,488 RSUs were awarded and may vest if the adjusted net earnings target is achieved for the three-year cycle that will end in January 2016. Of this number, an aggregate of 69,759 RSUs were awarded to Named Executive Officers. These RSUs may vest according to the following parameters:

Average adjusted net earnings realized (2012-2015), 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, 2012 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 21, 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, 2012, an aggregate of 51,103 shares having an approximate aggregate value of \$259,343 had been awarded to the executive officers of the Corporation under the Transaction Plan. Of that number, 2,872 shares vested on January 10, 2012, 17,034 vested on January 10, 2013, 17,034 will vest on January 10, 2014, and 14,163 will vest on January 10, 2015.

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.

▪ ***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.

7.5.7 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	Target amount	Number of shares and DSUs held as at October 31, 2012	Total value held as at October 31, 2012⁽¹⁾	Compliance with requirement as at October 31, 2012
Jean-Marc Eustache	3 times the annual salary	\$2,466,000	412,097	\$4,130,209	Yes
Allen B. Graham	1.5 times the annual salary	\$600,000	42,884	\$518,997	In progress ⁽²⁾

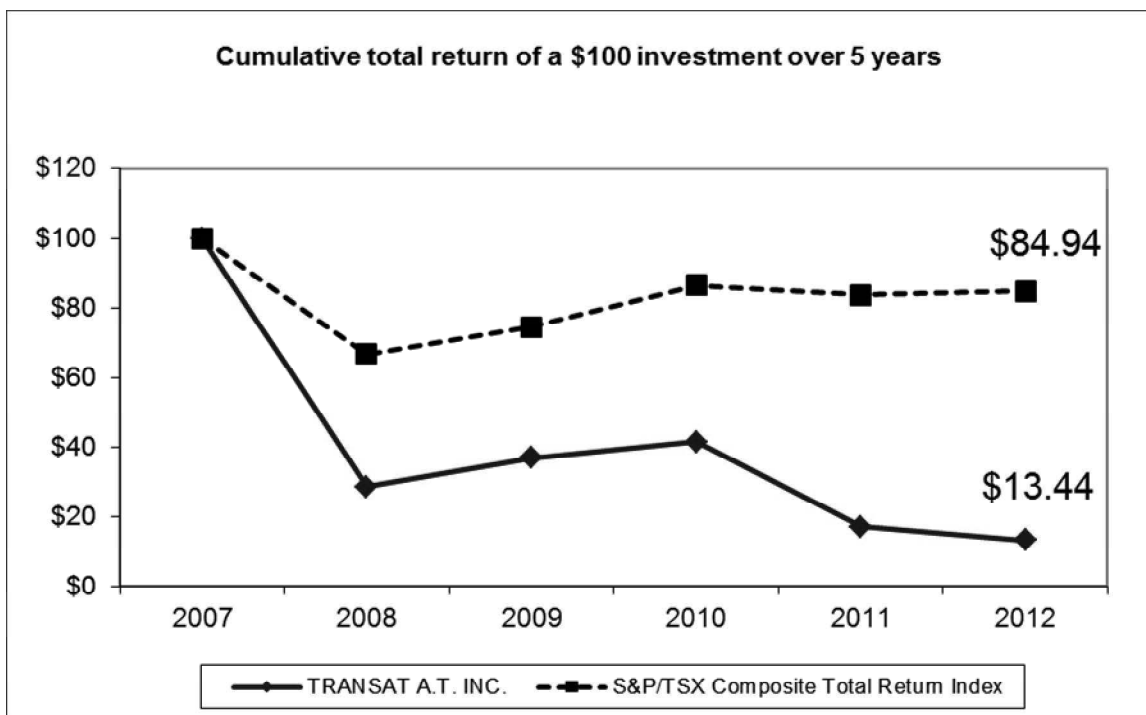
Name	Minimum shareholding multiple based on the annual base salary	Target amount	Number of shares and DSUs held as at October 31, 2012	Total value held as at October 31, 2012 ⁽¹⁾	Compliance with requirement as at October 31, 2012
Denis Pétrin	1.5 times the annual salary ⁽¹⁾	\$480,000	16,554	\$146,169	In progress ⁽²⁾
Daniel Godbout	1.0 times the annual salary	\$332,163	71,255	\$688,788	Yes
André De Montigny	1.0 times the annual salary	\$295,000	43,635	\$491,057	Yes

(1) This is the higher of (i) the cost of acquiring the shares for the executive officer and (ii) the market value of the shares held on October 31, 2012.

(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, 2007 in voting shares of the Corporation (assuming reinvestment of the dividends) and in the S&P/TSX Composite Total Return Index.



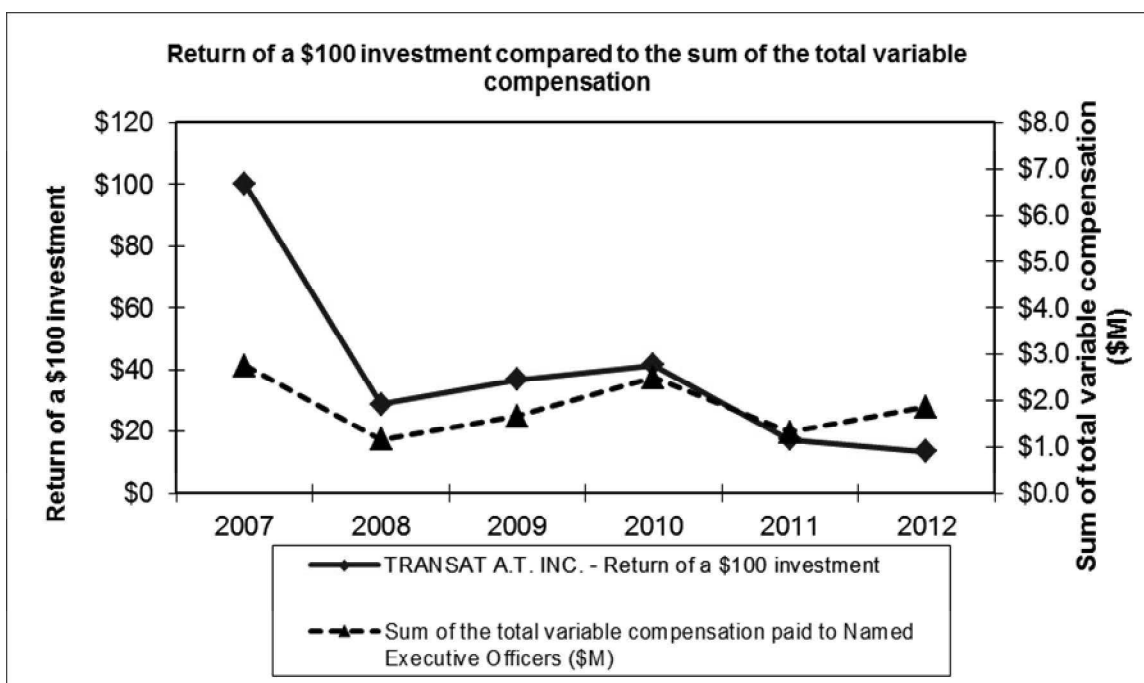
Fiscal year	2007-10-31	2008-10-31	2009-10-31	2010-10-31	2011-10-31	2012-10-31
TRANSAT A.T. INC.	\$100.00	\$28.70	\$36.86	\$41.45	\$17.31	\$13.44
S&P/TSX Composite Total Return Index	\$100.00	\$66.75	\$74.60	\$86.68	\$83.77	\$84.94

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, 2007 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 total variable compensation paid also decreases, thus showing the relationship between the total 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 2009 and 2010, the total variable compensation paid to the Named Executive Officers also increases.

The total variable compensation increase in 2012 compared to 2011 results mainly from an increase in the value of the stock options granted. This increase is due to two factors. Firstly, in January 2011, the Named Executive Officers received a grant corresponding to 2/3 of a regular grant. This situation followed a change in the option granting date from May to January. Since the previous grant had been made in May 2010 and the 2011 grant was made in January, only 8 months had elapsed between the two grants. The 2011 grant thus was weighted to reflect 2/3 of a year, while the following grant in January 2012 represents a full grant. The second factor explaining the increase in the value of the grant of stock options is attributable to Mr. Graham, who in January 2012 received a double grant of stock options to mark his appointment as President of Transat Canada. It should be noted that the stock options granted in the past few years did not generate financial value for the Named Executive Officers. Indeed, the exercise price of the stock options is higher than the current market price of the underlying shares. In addition, the performance criteria would have to be met for the stock options to be exercised, which is not the case. See “The 2009 Plan” section and the subsequent sections further describing the conditions based on the achievement of the performance criteria by the Corporation.



Fiscal year	2007-10-31	2008-10-31	2009-10-31	2010-10-31	2011-10-31	2012-10-31
TRANSAT A.T. INC. – Return of a \$100 investment	\$100.00	\$28.70	\$36.86	\$41.45	\$17.31	\$13.44
Sum of the total variable compensation paid to Named Executive Officers (\$M)	\$2.747	\$1.166	\$1.656	\$2.492	\$1.325	\$1.861

7.6 Summary Compensation Table

The following table sets forth the information regarding the total compensation paid during each of the last three fiscal 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	2012	822,000	246,600	0	651,941	0	293,852	65,760	2,080,153
	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
Allen B. Graham President, Transat Canada	2012	400,000	60,000	40,000	317,243	0	90,278	36,000	943,521
	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
Denis Pétrin Vice-President, Finance and Administration, and CFO	2012	320,000	48,000	32,000	126,898	0	84,598	32,000	643,496
	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
Daniel Godbout Senior Vice-President, Transport and Revenue Management	2012	332,163	33,216	33,216	112,904	0	72,899	33,216	617,615
	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
André de Montigny President, Transat International	2012	295,000	29,500	29,500	100,273	0	74,089	29,500	557,862
	2011	270,613	27,137	27,061	70,026	0	77,405	27,061	499,304
	2010	266,133	26,683	26,263	155,635	80,455	48,518	26,613	630,301

(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. \$7.48 in 2012, \$19.24 in 2011, and \$21.15 in 2010.

(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:

	2012	2011	2010
Exercise price	\$7.48	\$19.24	\$12.25
Risk-free rate:	1.37%	3.26%	3.54%
Dividend yield:	-	-	-
Volatility (60 months):	52.5%	52.49%	49.0%
Expected lifetime:	6 years	6 years	6 years
Fair value per option:	\$3.39	\$9.93	\$5.02

(5) The value of the retirement plan represents, for each fiscal 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 fiscal 2012, in the tables of the "Benefits under a Retirement Plan" section of this Circular. For each fiscal 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 years ended October 31, 2010, 2011 and 2012 respectively, in accordance with generally accepted accounting principles.

The value of Mr. Godbout's retirement plan is significantly higher for fiscal 2010, because the actuarial calculation accounts for the additional 1.96 years of service credited to Mr. Godbout.

(6) For all Named Executive Officers, this amount represents the value of the perquisites paid under the terms of the perquisites program.

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 fiscal 2012.

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	56,739	300,717	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			
	192,313	7.48	January 11, 2022	0			
Allen B. Graham	2,276	22.34	May 11, 2015	0	21,920	116,174	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			
	93,582	7.48	January 11, 2022	0			
Denis Pétrin	1,794	15.68	May 18, 2014	0	17,000	90,101	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			
37,433	7.48	January 11, 2022	0				
Daniel Godbout	6,043	22.34	May 11, 2015	0	16,276	86,264	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			
	33,305	7.48	January 11, 2022	0			
André De Montigny	7,045	15.68	May 18, 2014	0	13,997	74,183	0
	5,144	22.34	May 11, 2015	0			
	5,224	22.66	May 3, 2016	0			
	5,034	37.25	May 2, 2017	0			
	9,085	21.36	April 21, 2018	0			
	17,556	11.22	May 6, 2019	0			
	31,003	12.25	May 5, 2020	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
	(#)	(\$)		(\$)	(#)	(\$)	(\$)
	7,052	19.24	January 12, 2021	0			
	29,579	7.48	January 11, 2022	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, 2012, i.e. \$5.30, 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, 2012, i.e. \$5.30.

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

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

Name of the officer	Option-based awards: value vested during the fiscal year ⁽¹⁾ (\$)	Share-based awards: value vested during the fiscal year ⁽²⁾ (\$)	Non-equity incentive plan compensation: value earned during the fiscal year ⁽³⁾ (\$)
Jean-Marc Eustache	0	0	0
Allen B. Graham	0	23,806	0
Denis Pétrin	0	11,935	0
Daniel Godbout	0	20,691	0
André De Montigny	0	16,945	0

(1) The value is determined by assuming that the Options vested during the fiscal 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 fiscal year multiplied by the price per share on the vesting date. For the restricted share units, the redemption value of the units from the 2009-2012 cycle, which have vested on October 31, 2012, is nil, because the financial threshold was not achieved.

(3) Represents the amount paid for fiscal 2012 under the Short-term incentive program (STIP).

7.7 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, 2012 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, 2011 to October 31, 2012, including the annual cost attributable to compensatory items for fiscal 2012. 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, 2012, 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.

▪ **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, 2011 ⁽³⁾	Change in the accrued benefit obligation during the fiscal year		Accrued benefit obligation as at October 31, 2012
		As at October 31, 2012	At age 65		Change attributable to compensatory items ⁽⁴⁾	Change attributable to non-compensatory items ⁽⁵⁾	
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Jean-Marc Eustache	33.775	877,331	892,667	9,938,000	285,000	1,125,000	11,348,000
Allen B. Graham	10.000	86,055	106,076	789,000	82,000	135,000	1,006,000
Denis Pétrin	3.000	18,538	192,947	145,000	78,000	47,000	270,000
Daniel Godbout	25.186	227,113	395,665	2,701,000	66,000	508,000	3,275,000
André De Montigny	12.269	74,459	134,299	756,000	68,000	130,000	954,000

- (1) Number of credited years of service in a position eligible to the senior executives' retirement plan as at October 31, 2012 or before that date following termination of employment or retirement in 2012.
- (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, 2011 or October 31, 2012 (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 fiscal 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, 2011 and October 31, 2012, including the Corporation's contributions for fiscal 2012.

Name of the officer	Accumulated value as at November 1, 2011 (\$)	Compensatory amount ⁽¹⁾ (\$)	Accumulated value at the end of FY 2012 (\$)
Jean-Marc Eustache	455,842	8,852	496,600
Allen B. Graham	186,781	8,278	213,952
Denis Pétrin	266,588	6,598	295,887
Daniel Godbout	230,923	6,899	259,027
André De Montigny	122,969	6,089	141,790

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

7.8 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.
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	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

Type of termination	Stock options	Restricted share units (RSUs) and deferred share units (DSUs)	Share purchase plan	Retirement plan ⁽¹⁾	Employee and other benefits
		executive officer's account on his termination date by the fair market value of the Corporation's stock on that date.			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.	
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.

Table of the Value of Benefits in the Event of Termination of Employment (Involuntary Departure) as at October 31, 2012

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	\$43,686	n/a	n/a

Name	Termination allowance	Stock options	Restricted share units (RSUs) and deferred share units (DSUs) ⁽¹⁾	Share purchase plan	Retirement plans
Allen B. Graham	\$900,000		\$8,869		
Denis Pétrin	\$720,000		\$6,968		
Daniel Godbout	\$722,455		\$5,910		
André De Montigny	\$608,438		\$5,053		

(1) Represents the amount calculated based on the price per share on October 31, 2012; RSUs: 2010-2013 and 2011-2014 cycles only, RSUs for the 2009-2012 cycle having vested normally on October 31, 2012. 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 in the Event of Termination of Employment in a Change of Control Context as at October 31, 2012

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	\$242,666	\$0	n/a
Allen B. Graham	\$1,200,000	\$0	\$53,037	\$53,721	n/a
Denis Pétrin	\$960,000	\$0	\$42,008	\$41,780	n/a
Daniel Godbout	\$963,273	\$0	\$32,690	\$45,379	n/a
André De Montigny	\$811,250	\$0	\$28,382	\$39,109	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, 2012.

(2) The value indicated represents all RSUs at the price per share on October 31, 2012, which would all vest in the event of a change of control as defined in the plan. RSUs for two cycles only (2010-2013 and 2011-2014) would be paid out, RSUs for the 2009-2012 cycle having vested on October 31, 2012. There are no additional or accelerated benefits for DSUs.

7.9 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. Ms. Guérard was promoted to the position of General Manager of Transat Tours Canada on December 3, 2012.

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, 14% of Transat's senior executives and middle managers were promoted internally during the past year.

7.10 **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, 2012 (a)	Weighted average exercise price of outstanding options, warrants and rights as at October 31, 2012 (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) as at October 31, 2012 (c)
Equity compensation plans approved by securityholders⁽¹⁾	2,199,810	\$19.65	992,411
Equity compensation plans not approved by securityholders	n/a	n/a	n/a
Total	2,199,810	\$19.65	992,411

(1) As at October 31, 2012, an aggregate of 178,937 voting shares were available for future issuance under the Former Plan and an aggregate of 813,474 voting shares were available for future issuance under the 2009 Plan.

7.11 **Approval of the Advisory Resolution on Executive Compensation**

On December 14, 2011, the Board approved an advisory voting policy on compensation in order to give the shareholders the formal opportunity to express their opinion on the Corporation's approach to executive compensation. Beginning at the Annual and Special Meeting of Shareholders this year, the Corporation will hold a non-binding advisory vote on executive compensation. The adoption of advisory votes on executive compensation represents a recent and evolving governance practice in Canada.

The purpose of the advisory vote is to make it possible to account to the Corporation's shareholders regarding the decisions made on compensation by giving the shareholders the opportunity to express their opinion on the declared objectives of the executive compensation plans and the content of these plans, for the Corporation's past, present and future fiscal years.

Although the shareholders will take a collective advisory position, the directors of the Corporation remain fully responsible for their compensation decisions and are not released from this responsibility following a positive vote upon consultation of the shareholders.

The Board recommends that the shareholders vote to approve the following resolution, as set out in Appendix B to this Circular:

Be it resolved, on an advisory basis and without diminishing the role and responsibilities of the Board of Directors, that the shareholders accept the approach to executive compensation set out in the Management Proxy Circular delivered in advance of the 2012 Annual Meeting of Shareholders.

If you do not specify how you want your shares to be voted, the proxy holders designated in the management proxy form or the voting instructions form will vote the shares covered by the proxy FOR the non-binding advisory resolution regarding the Corporation's approach to executive

8. 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-Pierre Delisle. It should be noted that Mr. Jean-Marc Eustache attends the meetings of the Committee upon invitation.

8.1 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 and 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.

On September 11, 2012, the Committee adopted a resolution proposing the amendment of paragraph 1.1.7 of the Corporate Governance Manual to add an age limit to the eligibility criteria for the directors of the Corporation. On September 12, 2012, the Board of Directors of the Corporation adopted this proposal of the Committee and resolved that the Corporate Governance Manual be amended so as to add the following wording to paragraph 1.1.7:

"A director normally becomes ineligible when he or she reaches retirement age, which is set at seventy-five (75) years. Notwithstanding the foregoing, the Board of Directors maintains its full discretion in the application of the criteria regarding the retirement age, which will take into account, in particular, the years of service of the members of the Board of Directors and the expertise required by the Board of Directors at that time."

Six (6) of the ten (10) directors seeking re-election to the Board are independent directors. If elected, Mr. Beaulieu, who is seeking election to the Board for the first time, will be an independent director. The three non-independent directors are the founding members of the Corporation, including Mr. Eustache who chairs the Board. The Lead Director and the chairs of the Audit Committee, the Human Resources and Compensation Committee and the Governance and Nominating Committee are all independent directors.

8.2 Selection of Candidates for the Board of Directors

The selection process for new candidates for the Board of Directors is conducted by this Committee. More detailed information concerning the Committee's responsibilities, powers and activities appear in Section 8 of this Circular.

When it makes its recommendations, the Committee considers the principle that the members of the Board should have diversified backgrounds, experience and aptitudes. Directors are selected for their integrity and character, fair and independent judgment, breadth of experience, insight and knowledge, and business acumen. Directors are expected to bring these personal qualities to their role as a director of the Corporation, and apply sound business judgment to help the Board make wise decisions and provide thoughtful and informed advice to senior management.

In accordance with the policies of the Board, the evaluation and selection process is undertaken by the Committee, as needed, and consists of several steps, including the preparation and updating, from time to time, of an inventory of the abilities, skills and aptitudes of the members of the Committee and the Board as a whole, which are listed in the following table.

Name	Sector of Activity									Experience										
	Financial services	Technology	Tourism	Transportation / Air transportation	Hotel industry	Marketing, communications and advertising	Professional services	Consumer goods/Retail	Academic community	Community involvement	Corporate management	Corporate governance	Finance / Accounting	Board service for public companies	Human resources	Marketing / Sales	Operations	International	Business development/Mergers-acquisitions	Strategic planning
Louis-Marie Beaulieu				√			√		√	√	√	√				√	√	√	√	
André Bisson(2)	√							√	√	√	√	√	√							
Lina De Cesare			√	√	√			√	√	√						√	√		√	
Jean Pierre Delisle	√						√			√	√	√	√						√	
W. Brian Edwards		√				√	√		√	√	√		√	√		√			√	√
Jean-Marc Eustache			√	√				√	√	√	√		√			√	√		√	
Jean-Yves Leblanc				√					√	√	√	√	√	√		√	√		√	√
Jacques Simoneau	√	√		√		√		√		√	√	√	√	√	√	√	√	√	√	√
Philippe Sureau		√	√	√		√		√		√	√					√	√		√	√
John D. Thompson	√									√	√	√	√	√						√
Dennis Wood										√	√	√	√	√						√

(1) Mr. Beaulieu is seeking election to the Board of the Corporation for the first time.

(2) M. Bisson is leaving office as a director and is not standing for re-election as a director.

The above inventory is reviewed, as needed, to detect deficiencies between the desired range of abilities, competencies, skills and qualities required to deliver the overall strategy and the Corporation's vision, and those that are adequately represented on the Board, accounting for future retirements. The Committee uses this evaluation as a basis to determine the competencies, experience, qualifications, diversity and personal qualities desired in eventual new Board members. The Committee recruits the candidates by resorting to various sources, which may include a recruitment firm or referrals by existing directors. When a vacancy occurs or is impending, the Committee draws up a short list of potential candidates to consider in greater depth by asking whether the candidates

can devote enough time and resources to their obligations as Board members. The Committee can mandate such firms or experts to help fulfill the recruitment obligations it is required to fulfill. The Committee prepares and updates, as needed, an adaptable list of candidates for eventual election to the Board to fill anticipated or unexpected vacancies. During the process, the Committee informs the Board and requests information on the candidates. The candidates participate in an interview with members of the Committee and other directors, as is considered appropriate. The Committee then issues a recommendation to the entire Board, which chooses a candidate to propose his or her election to the shareholders.

8.3 Performance Assessment

In November 2012, the Committee, with the assistance of PCI-Perrault, conducted an annual formal evaluation of the Board and its committees' effectiveness and was able to 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 Committee relies on the evaluation process to determine whether a director should withdraw from the Board.

The directors are evaluated by the Committee in collaboration with the Chair of the Board, on an annual basis. The following table indicates what is involved in the evaluation process.

Evaluates...	Evaluator			
	Chair of the Board	Lead Director	Chair of the Corporate Governance and Nominating Committee	Each director
Performance of the Board	√	√	√	√
Performance of the Committees				Committee members
Performance of the Chair of the Board				√
Performance of the Committee Chairs				Committee members
Performance of each director	√	√	√	√
Performance of the Lead Director as a member of the Board				√

In addition to providing invaluable information on the efforts the Board must deploy to improve performance, the evaluation process established by the Corporation encourages discussion on governance and training initiatives.

8.4 Independence of Directors

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 Board, directly or through one of its committees, adopts structures and procedures to ensure the independence of the Board from the Corporation's management.

Candidates for director positions	Independent	Non-independent	Reasons for non-independence
Louis-Marie Beaulieu ⁽¹⁾	✓		
André Bisson ⁽²⁾	✓		
Lina De Cesare		✓	Retired executive officer
Jean Pierre Delisle	✓		
W. Brian Edwards	✓		
Jean-Marc Eustache		✓	Executive officer
Jean-Yves Leblanc	✓		
Jacques Simoneau	✓		
Philippe Sureau		✓	Retired executive officer
John D. Thompson	✓		
Dennis Wood	✓		

⁽¹⁾ Mr. Beaulieu is seeking election to the Board of the Corporation for the first time.

⁽²⁾ M. Bisson is leaving office as a director and is not standing for re-election as a director.

8.5 Orientation and Continuing Education

The directors must always perfect their knowledge and their understanding of the activities and the regulatory framework applicable to the Corporation. The Corporation provides its directors with opportunities to meet certain senior executive officers to help familiarize them with the Corporation's operating activities and to attend training facilitated by its internal legal and financial advisors, representatives of financial organizations and recognized external legal advisors on specialized and complex subjects regarding its activities. Occasionally, a presentation on recent trends in corporate governance is delivered to the members of the Board of Directors.

8.6 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 chair.

The committees of the Board and their composition are detailed in the following table:

	AUDIT COMMITTEE	CORPORATE GOVERNANCE AND NOMINATING COMMITTEE	EXECUTIVE COMMITTEE	HUMAN RESOURCES AND COMPENSATION COMMITTEE
André Bisson	■	■		
Jean Pierre Delisle	■	■		
W. Brian Edwards		■	■	(Chair)
Jean-Marc Eustache			(Chair)	
Jean-Yves Leblanc*	(Chair)		■	■
Jacques Simoneau	■	(Chair)	■	
John D. Thompson	■			■
Dennis Wood				■

* Lead Director

8.7 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.

9. ADDITIONAL DISCLOSURE

9.1 *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.

9.2 *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, 2012 to October 31, 2013, unless it is terminated earlier by written notice of either party to the agreement. Ms. De Cesare's agreement provides for the payment of fees at an hourly rate of \$350, and an hourly rate of \$175 when she travels outside Canada by air for her work, in consideration of the professional services rendered as a consultant. Mr. Sureau's agreement provides for the payment of fees at an hourly rate of \$250, and an hourly rate of \$125 when he travels outside Canada by air for his work, in consideration of the professional services rendered as a consultant. Each agreement, as renewed, includes a confidentiality and non-solicitation undertaking. During the year ended October 31, 2012, the total fees paid amounted to approximately \$290,028 for Lina De Cesare and \$35,639 for Philippe Sureau. These professional services agreements are filed and available on the SEDAR website at www.sedar.com.

9.3 *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 March 31, 2013, our insurance policy provides a maximum coverage of \$50,000,000 per claim, subject to a deductible of \$250,000 payable by Transat, as well as an additional coverage of \$50,000,000. The premium paid under the policy for twelve months coverage is \$380,829.

9.4 *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 fiscal 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.

9.5 Shareholder Proposals

As at October 26, 2012, the Corporation had not received any shareholder proposals. Moreover, the proposals regarding any matter that the persons entitled to vote at the 2014 annual meeting of shareholders wish to submit to that meeting must be received by the Corporation no later than October 23, 2013.

9.6 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 21, 2013.

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>For the year ended October 31, 2012, the Board of Directors is composed of ten (10) directors, of whom seven (7) are independent, namely André Bisson, Jean Pierre Delisle, W. Brian Edwards, Jean-Yves Leblanc, Jacques Simoneau, John D. Thompson and Dennis Wood. It should be noted that Madeleine Chenette had to resign during her term following the amalgamation of Secor with KPMG. KPMG’s current policies prevent their employees from serving on boards of directors.</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, seven (7) out of ten (10), 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>

Requirement	Implementation by the Corporation
<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>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>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 systematically included on the agenda of each Board meeting. From November 1, 2011 to October 31, 2012, the Board has held ten (10) meetings, each having an agenda which specifically provided for an in-camera session. In addition to these meetings, independent directors held four (4) in-camera sessions since November 1, 2011, including the session referred to under paragraph (f) hereinafter regarding the assessment of the Chairman, President and Chief Executive Officer.</p> <p>The Chairman of the Board, President and Chief Executive Officer and co-founder of the Corporation, Mr. Jean-Marc Eustache, is not independent from senior executive officers. However, the Lead Director, Mr. Leblanc, is an independent director and is free to contact the other directors. Following the amendments to the by-laws of the Corporation approved by the directors at the Board meeting held on March 15, 2012, the Lead Director may also 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 2012 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 Chair 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. 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>

5. Ethical Business Conduct

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:

i) disclose how a person or company may obtain a copy of the code;

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

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.

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.

c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.

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.

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.

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.

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 of Transat that constitutes a departure from the Charter of Expectations or the Code of Ethics.

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.

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.

In addition, both the annual Board evaluation questionnaire and the peer feedback survey contain specific questions pertaining to ethical business conduct.

<p>6. Nomination of Directors</p> <p>a) Describe the process by which the board identifies new candidates for board nomination.</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 responsible for identifying and recommending to the Board 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>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 6 of this Circular and details of the executive officers' compensation are disclosed in section 7.</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. 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 the members of these committees (apart from the Executive Committee) 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

NON-BINDING ADVISORY RESOLUTION REGARDING THE CORPORATION'S APPROACH TO EXECUTIVE COMPENSATION

“RESOLVED:

Be it resolved, on an advisory basis and without diminishing the role and responsibilities of the Board of Directors, that the shareholders accept the approach to executive compensation set out in the Management Proxy Circular delivered in advance of the 2012 Annual Meeting of Shareholders.”

APPENDIX C

BY-LAWS OF TRANSAT

TRANSAT A.T. INC.
(the "Corporation")

BY-LAW NO. 2012-2

PARTIE 1 - INTERPRETATION

- 1.1 Definitions
The definitions provided for in the *Canada Business Corporations Act*, R.S.C. (1985), c. C-44 (the "Act") shall apply to the terms used in the By-laws.
- 1.2 Computation of Time
The computation of time and any period of days shall be determined in accordance with the provisions of the *Interpretation Act* (Canada), R.S.C. (1985), c. I-21.

PARTIE 2 - SHAREHOLDERS

- 2.1 Holding of Meetings
The Board of Directors (the "Board") or the shareholders may determine, when calling a meeting of shareholders pursuant to the Act, the manner in which such meeting shall be held, either at a specific place or by means of a telephonic, electronic or other means of communication permitting all participants to communicate adequately with each other during the meeting, or a combination of the foregoing.
- 2.2 Notice of Meeting
Joint Shareholders – In the case of joint shareholders, the notice of meeting and any document pertaining to the meeting may be given to whichever of such persons is named first in the securities register of the Corporation. Any notice and documents so given shall be sufficient for all of them.
- Unsent or Irregular Notice* – The accidental failure to give, deliver or send any notice of a meeting to any person entitled thereto, the non-receipt of any notice by any such person or any irregularity or error in such notice that does not materially affect its substance or in the giving, delivery or sending of such notice shall not invalidate any action taken at the meeting held pursuant to such notice or otherwise founded thereon.
- Impossibility to Give Notice* – In the event that it is impossible for any reason whatsoever to give notice otherwise than as permitted under the Act, a notice may be given by advertisement published once in a newspaper in such cities or places as the Board may determine.
- 2.3 Quorum and Adjournment
Quorum – At least two (2) shareholders holding a minimum of twenty-five percent (25%) of the outstanding shares of the Corporation entitled to vote at a meeting, present at the meeting or represented by proxy, shall constitute a quorum for the transaction of business at the meeting.
- Adjournment* – If a quorum is not present within 30 minutes of the opening of the meeting, the meeting may be adjourned to such date, and to such time and place as may be designated by the chairperson of the meeting. At the adjourned meeting, the holders of shares of the Corporation present in person or by proxy, whether they hold more or less than twenty-five percent (25%) of the outstanding shares of the Corporation

entitled to vote at the meeting, and whether or not they were present or represented at the original meeting, shall constitute a quorum and may transact the business for which the meeting was originally called.

2.4 Chairperson

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

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

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

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

2.5 Secretary

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

2.6 Scrutineers

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

2.7 Vote

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

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

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

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

Compulsory Ballot Vote – Notwithstanding the above, a ballot shall be conducted where proxies representing at least 5% of the votes attached to shares represented at the meeting, either by shareholders personally or by proxy, are cast against a matter tabled at the meeting.

PARTIE 3 - DIRECTORS

3.1 Number of Directors

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

3.2 Frequency of Meetings

The Board shall hold no less than four (4) meetings per annum, and no more than four (4) months shall elapse between meetings.

3.3 Calling of Meetings

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

3.4 Notices

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

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

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

3.5 Quorum

The quorum for any meeting of the Board shall be the majority of the number of directors in office at any given time.

3.6 Chairperson

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

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

- 3.7 **Vote**
Voting by proxy shall not be permitted.
- 3.8 **Adjournment**
The chairperson of a meeting of the Board, with the consent of the majority of the directors in attendance, may adjourn such meeting to another place, date and time. The reconvening of any meeting so adjourned may take place without notice if the place, the date and the time of the adjourned meeting are announced at the original meeting. Upon reconvening of the meeting, the directors may decide on any matter that was not settled at the original meeting, provided a quorum is present. The directors who constituted the quorum at the original meeting need not be those constituting the quorum at the reconvened meeting. If a quorum does not exist at the reconvened meeting, the meeting shall be deemed to have ended at the previous meeting when the adjournment was pronounced.
- 3.9 **Validity**
Decisions made during the course of a meeting of the Board shall be valid notwithstanding any irregularity, thereafter discovered, in the calling of the meeting of the Board.
- 3.10 **Interested Director**
At the request of the chairperson, a director who has an interest in a contract with the Corporation and is prohibited by the Act to vote on such contract shall leave the meeting while the Board discusses and votes on the contract in question.
- 3.11 **Lead Director**
The lead director shall be selected from among and appointed by the independent directors. He shall be responsible for seeing to the efficient operation of the Board of Directors in order to ensure that it functions independently of the management of the Corporation. He shall also be responsible for performing such duties as may be determined from time to time by the independent directors.

PARTIE 4 - COMMITTEES AND OFFICERS

- 4.1 **Committees**
Subject to the provisions of the Act and unless otherwise determined by the Board, the Board shall fix the quorum of each committee at not less than the majority of their respective members. The chairperson of each Board committee shall be appointed by the Board, save that of the Executive Committee, if any, which shall be chaired by the President of the Corporation. Each committee shall appoint its own secretary, who need not necessarily be one of its members. Save for those provisions respecting notice of meetings, which shall be given in accordance with Subsection 3.4 hereof and except for the quorum, which is fixed by the Board, each Board committee may establish its own procedures. Each committee shall draft the charter governing it, which charter shall be approved by the Board. Once such approval is received, each committee may from time to time amend its charter, although such amendments shall be subject to the approval of the Board.
- 4.2 **Officers**
After each annual meeting, the Board (i) shall elect a president and one or several vice-presidents, certain of whom may also be elected as executive vice-presidents; (ii) may elect a chairman of the Board and, in accordance with Subsection 3.11 hereof, appoint a lead director; (iii) shall appoint a treasurer and a secretary; and (iv) may appoint all officers it deems appropriate and, where applicable, determine their functions. The Board may also from time to time elect or appoint any other officer.

PARTIE 5 - INDEMNIFICATION

- 5.1 **Indemnification of Directors and Officers**
Subject to the limitations contained in the Act, but without limiting the right of the Corporation to indemnify any individual under the Act or otherwise to the full extent permitted by law, the Corporation:

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

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

PARTIE 6 - PAYMENTS

6.1 Cheques

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

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

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

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

6.2 Currency of Dividends

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

PARTIE 7 - REPRESENTATION

7.1 Banking Arrangements

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

7.2 Execution of Instruments

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

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

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

7.3 Declaration

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

7.4 Representation at Meetings

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

7.5 Declarations under the *Act respecting the legal publicity of sole proprietorships, partnerships and legal persons*

Declarations to be filed with the INSPECTOR GENERAL OF FINANCIAL INSTITUTIONS in accordance with the *Act respecting the legal publicity of sole proprietorships, partnerships and legal persons* shall be signed by the President, the Secretary, the Assistant Secretary, any director of the Corporation or any other person authorized for such purpose by resolution of the Board. Any director and/or officer having ceased to hold such office following his resignation, removal or otherwise shall be authorized to sign on behalf of the Corporation and file an amending declaration to the effect that he has ceased to be a director and/or an officer, starting 15 days after the date of such cessation, unless he receives proof that the Corporation has filed such a declaration.

PARTIE 8 - REPEAL AND EFFECTIVE DATE

8.1 Repeal

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

8.2 Validity of Prior Acts

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

This By-Law 2003-1 was adopted and amended by the directors of the Corporation by a resolution passed at directors' meetings held on February 14, 2003 and March 18, 2003, respectively, and was confirmed by the of the Corporation at the annual meeting held on March 19, 2003. The By-Law was amended thereafter by a resolution passed at a directors' meeting held on January 12, 2005 and was confirmed by the shareholders of the Corporation at the special meeting held on February 24, 2005 and subsequently amended by a resolution passed at a directors' meeting held on February 3, 2006 and confirmed by the shareholders of the Corporation at the special meeting held on March 15, 2006. This By-Law was amended again by a resolution passed at the directors' meetings held on February 23, 2012 and March 15, 2012 and was confirmed by the shareholders of the Corporation at the special meeting held on _____ 2013.

Jean-Marc Eustache
President

Bernard Bussières
Secretary

APPENDIX D

ADVANCE NOTICE BY-LAW

INTRODUCTION

The purpose of this Advance Notice By-Law (the “**By-law**”) is to establish the conditions and framework under which holders of record of Class A variable voting shares and Class B voting shares of the Corporation may exercise their right to submit director nominations by fixing a deadline by which such nominations must be submitted by a shareholder to the Corporation prior to any annual or special meeting of shareholders, and sets forth the information that a shareholder must include in the notice to the Corporation for the notice to be in proper written form.

It is the position of the Corporation that this By-law is beneficial to shareholders and other stakeholders.

NOMINATIONS OF DIRECTORS

1. Nomination procedures

Subject only to the *Canada Business Corporations Act* (the “**Act**”) and the articles of the Corporation, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the board of directors of the Corporation (the “**Board**”) may be made at any annual meeting of shareholders, or at any special meeting of shareholders, if one of the purposes for which the special meeting was called is the election of directors. Such nominations may be made in the following manner:

- a. by or at the direction of the Board, including pursuant to a notice of meeting;
- b. by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act, or a requisition of the shareholders made in accordance with the provisions of the Act; or
- c. by any person (a “**Nominating Shareholder**”):
 - (i) who, at the close of business on the date of the giving of the notice provided for below in this By-law and on the record date for notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting; and
 - (ii) who complies with the notice procedures set forth below in this By-law.

2. Timely notice

In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the Corporate Secretary of the Corporation at the head office of the Corporation.

3. Manner of timely notice

To be timely, a Nominating Shareholder’s notice to the Corporate Secretary of the Corporation must be made:

- a. in the case of an annual meeting of shareholders, not less than 30 nor more than 65 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of

shareholders is to be held on a date that is less than 50 days after the date (the "Notice Date") on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and

- b. in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first public announcement of the date of the special meeting of shareholders was made. In no event shall any adjournment or postponement of a meeting of shareholders or the announcement thereof commence a new time period for the giving of a Nominating Shareholder's notice as described above.

4. Proper form of timely notice

To be in proper written form, a Nominating Shareholder's notice to the Corporate Secretary of the Corporation must set forth:

- a. as to each person whom the Nominating Shareholder proposes to nominate for election as a director:
 - (i) the name, age, business address and residential address of the person;
 - (ii) the principal occupation or employment of the person;
 - (iii) the class or series and number of shares in the capital of the Corporation which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice;
 - (iv) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below); and
- b. as to the Nominating Shareholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote any shares of the Corporation and any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below).

The Corporation may require any proposed nominee to furnish such other information, including a written consent to act, as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee.

5. Eligibility for nomination as a director

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this By-law; provided, however, that nothing in this By-law shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Act. The Chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

6. Terms

For purposes of this By-law:

- a. “**public announcement**” shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com; and
- b. “**Applicable Securities Laws**” means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada.

7. Delivery of notice

Notwithstanding any other provision of this By-law, notice given to the Corporate Secretary of the Corporation pursuant to this By-law may only be given by personal delivery, facsimile transmission or by email (at such email address as stipulated from time to time by the Corporate Secretary of the Corporation for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the aforesaid address) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the Corporate Secretary at the address of the principal executive offices of the Corporation; provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Montreal time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day.

8. Board Discretion

Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement in this By-law.

**ANY QUESTIONS AND REQUESTS FOR ASSISTANCE MAY BE DIRECTED TO TRANSAT
PROXY SOLICITATION AGENT:**



NORTH AMERICAN TOLL FREE PHONE:

1-866-822-1239

Banks, brokers and collect calls: 201-806-2222

Toll free facsimile: 1-888-509-5907

Email: inquiries@phoenixadvisorscst.com

