



TRANSAT A.T. INC.

Notice of Meeting and Management Proxy Circular
in respect of the

2015 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

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

On March 12, 2015 at 10:00 a.m. (Eastern Time)



January 19, 2015



WHAT'S INSIDE THIS MANAGEMENT PROXY CIRCULAR

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NOTICE OF THE 2015 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**” or the terms “**we**,” “**us**,” “**our**” and “**ours**” also refer to Transat A.T. Inc. and to one or more of its subsidiaries, or to Transat A.T. Inc. alone, depending on the context) will be held at McGill’s University New Residence Hall, 3625 Avenue du Parc, Ballroom, level C, Montréal, Québec, Canada, H2X 3P8, **on March 12, 2015 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, 2014 and the external auditors’ report thereon;
2. To elect the directors;
3. To appoint the external auditors for the ensuing year and to authorize the Board of Directors to determine their remuneration;
4. To consider and, if deemed appropriate, adopt a resolution, as set out in the Management Proxy Circular, ratifying the amendments to the Corporation’s 2015 Employee Share Purchase Plan as amended, updated and reproduced in Schedule B to the attached Management Proxy Circular;
5. To consider and, if deemed appropriate, adopt a resolution, as set out in the Management Proxy Circular, ratifying the amendments to the Corporation’s 2009 Stock Option Plan as amended, updated and reproduced in Schedule C to the attached Management Proxy Circular;
6. To consider and approve, in an advisory, non-binding capacity, a resolution, as set out in Schedule D to this Management Proxy Circular, regarding the Corporation’s approach to executive compensation;
7. To consider and, if deemed appropriate, reject Proposal No. 1 presented by shareholders and reproduced in Schedule E to this Management Proxy Circular;
8. To consider and, if deemed appropriate, reject Proposal No. 2 presented by shareholders and reproduced in Schedule E to this Management Proxy Circular;
9. To consider and, if deemed appropriate, reject Proposal No. 3 presented by shareholders and reproduced in Schedule E to this Management Proxy Circular;
10. To consider and, if deemed appropriate, reject Proposal No. 4 presented by shareholders and reproduced in Schedule E to this Management Proxy Circular; and
11. To transact any other business that 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, 2014. **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, D.F. King Canada toll free at 1-866-822-1239 or by email at inquiries@dfking.com.

Made at Montréal, Québec, on January 19, 2015.

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, CST Trust Company ("CST"), before 5:00 p.m. (Eastern Time), Tuesday, March 10, 2015 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, Level B1, Toronto, Ontario, M5H 4A6, Attention: Proxy Unit, or at 2001 University Street, 16th Floor, Montr al, Qu bec, 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**”) (the Variable Voting Shares and the Voting Shares are collectively referred to as the “**voting shares**”) of Transat A.T. Inc. (the “**Corporation**” or “**Transat**” or the terms “**we**,” “**us**”, “**our**” and “**ours**” also refer to Transat A.T. Inc. and to one or more of its subsidiaries, or to Transat A.T. Inc. alone, depending on the context) (the “**Meeting**”), please select the most convenient way for you to express your voting instructions (by fax, by mail, on the Internet, by phone or in person) and follow the relevant instructions. Unless otherwise indicated, the information included herein is given as of January 19, 2015. 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 McGill University’s New Residence Hall, 3625 Avenue du Parc, Ballroom, level C, Montréal, Québec, Canada, H2X 3P8, on Thursday, March 12, 2015 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 s.r.l./S.E.N.C.R.L. (“**EY**”) as Transat’s external auditors;
- (iii) the consideration and, if deemed appropriate, the adoption of a resolution, as set out in the Management Proxy Circular, ratifying the amendments to the Corporation’s 2015 Employee Share Purchase Plan as amended, updated and reproduced in Schedule B to the attached Management Proxy Circular;
- (iv) the consideration and, if deemed appropriate, the adoption of a resolution, as set out in the Management Proxy Circular, ratifying the amendments to the Corporation’s 2009 Stock Option Plan as amended, updated and reproduced in Schedule C to the attached Management Proxy Circular;
- (v) the consideration and approval, in an advisory, non-binding capacity, of a resolution, as set out in Schedule D to this Management Proxy Circular, in respect of the Corporation’s approach to executive compensation;
- (vi) the consideration and, if deemed appropriate, the rejection of Proposal No. 1 presented by shareholders and reproduced in Schedule E to this Management Proxy Circular;
- (vii) the consideration and, if deemed appropriate, the rejection of Proposal No. 2 presented by shareholders and reproduced in Schedule E to this Management Proxy Circular;
- (viii) the consideration and, if deemed appropriate, the rejection of Proposal No. 3 presented by shareholders and reproduced in Schedule E to this Management Proxy Circular;

- (ix) the consideration and, if deemed appropriate, the rejection of Proposal No. 4 presented by shareholders and reproduced in Schedule E to this Management Proxy Circular; and
- (x) 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 external auditors, the adoption of the resolution ratifying the amendments to the 2015 Employee Share Purchase Plan, the adoption of the resolution ratifying the amendments to the 2009 Stock Option Plan, the adoption of the resolution regarding the approach to executive compensation, and the rejection of the four proposals presented by shareholders 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 Class B 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, CST Trust Company ("**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.

Since the annual and special meeting of shareholders held on March 13, 2014, the Corporation obtained an exemption from the Autorité des marchés financiers and the Ontario Securities Commission, further to which the outstanding Class A Variable Voting Shares and the outstanding Class B Voting Shares of the Corporation are considered as a single class of shares for the application of the take-over bid rules and early warning reporting rules, as contained under Canadian securities laws. A copy of the decision is available under Transat's profile at www.sedar.com.

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

A: As at January 19, 2015, a total of 1,626,299 Class A Variable Voting Shares and of 37,144,016 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 19, 2015, 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 19, 2015, 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 5,537,958 Class B Voting Shares representing approximately 14.9% of all issued and outstanding Class B Voting Shares (or 14.3% on a combined basis);
- (ii) **Fonds de solidarité FTQ**, which held 4,888,117 Class B Voting Shares representing approximately 13.2% of all issued and outstanding Class B Voting Shares (or 12.6% on a combined basis); and
- (iii) **Franklin Resources Inc.**, which held 3,852,650 Class B Voting Shares representing approximately 10.4% of all issued and outstanding Class B Voting Shares (or 9.9% on a combined basis).

Moreover, as at January 19, 2015, the following persons beneficially own or exercise control or direction over 10% or more of the outstanding Class A Variable Voting Shares:

- (i) **Connor, Clark & Lunn Investment Management Ltd.**, which held 334,029 Class A Variable Voting Shares representing approximately 20.1% of all issued and outstanding Class A Variable Voting Shares; and
- (ii) **Norges Bank**, which held 276,630 Class A Variable Voting Shares representing approximately 16.6% 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 four ways, namely by telephone, on the Internet, by mail or fax.

By telephone

Voting by proxy using the telephone is only available to shareholders located in Canada or the United States. Call 1-888-489-7352 (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 13-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 10, 2015.

On the Internet

Go to the website www.cstvotemyproxy.com and follow the instructions on the screen. Your voting instructions are then conveyed electronically over the Internet.

You will need your 13-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 10, 2015.

By mail or fax

You may vote by completing and signing the enclosed proxy form and forwarding it to CST in one of the following four 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, Level B1, 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 10, 2015 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 EY as external auditors of Transat;**
- (iii) FOR the adoption of the resolution ratifying the amendments to the 2015 Employee Share Purchase Plan;**
- (iv) FOR the adoption of the resolution ratifying the amendments to the 2009 Stock Option Plan;**
- (v) FOR the approval of the non-binding advisory resolution regarding the Corporation's approach to executive compensation;**
- (vi) AGAINST Proposal No. 1 presented by shareholders;**
- (vii) AGAINST Proposal No. 2 presented by shareholders;**
- (viii) AGAINST Proposal No. 3 presented by shareholders; and**
- (ix) AGAINST Proposal No. 4 presented by shareholders.**

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 10, 2015 (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 10, 2015 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 shares are voted 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 D.F. King Canada, 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, by telephone, on the Internet or by 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, D.F. King Canada, toll-free at 1-866-822-1239 (or 201-806-7301 collect) or by email at inquiries@dfking.com with any question you might have regarding the Meeting.

19. Q: CAN I NOMINATE A CANDIDATE FOR A DIRECTOR POSITION?

A: Only persons nominated in accordance with the procedure set out in the Advance Notice By-law, as set forth in Schedule F to this Circular, are eligible for election as directors of the Corporation. The 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.

GETTING TO THE BUSINESS OF THE MEETING

1. FINANCIAL STATEMENTS

The audited consolidated financial statements for the year ended October 31, 2014 and report of the external auditors thereon, and the comparative financial statements for the years ended October 31, 2013 and 2014, which will be presented to our shareholders at the Meeting, are included in the Corporation's Annual Report that has been mailed to our shareholders or can be promptly provided upon written request and which are available at www.sedar.com. No vote is required on this matter.

2. NOMINEES FOR ELECTION AS DIRECTORS

Pursuant to the Articles of the Corporation, the Board of Directors must consist of a minimum of nine (9) and a maximum of fifteen (15) directors. The Board of Directors is presently composed of eleven (11) directors. In accordance with a resolution adopted by our Board of Directors on January 14, 2015, the number of directors of the Corporation to be elected at the Meeting has been set at eleven (11).

Eleven (11) directors will be put forward at the Meeting as nominees for election to the Board, of which eight (8) are independent from the Corporation. See section 10.4 "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 eleven (11) nominees described below.

The following tables set out the names of the proposed nominees for election as directors on our Board, together with their age, province and country of residence, year first elected as directors, current principal occupation, biography and their main areas of expertise, and whether the nominees are independent. Also indicated for each nominee is, among other things, the number and value of Voting Shares and deferred share units ("DSUs") beneficially owned, directly or indirectly, or over which control or direction is exercised as at January 19, 2015 (where applicable), the number of stock options to purchase Voting Shares held as at such date, if applicable, 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, 2014, 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.

Raymond Bachand



Age: 67

Mandatory retirement: 2023

Québec, Canada

Director since March 2014

Independent⁽¹⁾

Raymond Bachand has held several key positions in Québec's public life. He taught at the École des hautes études commerciales de Montréal between 1972 and 1977, held the position of Chief of Staff to the Québec Minister of Labour and Manpower between 1977 and 1979, and served as Special Secretary in the Office of the Premier of Québec between 1979 and 1981. In the business world, he was Vice-President of Métro-Richelieu between 1981 and 1989 and Culinar between 1990 and 1993. He joined Fonds de solidarité des travailleurs du Québec (FTQ) in 1994 as First Vice-President and Chief Investment Officer and was appointed as Chief Executive Officer from 1997 to 2001. He was also Chief Executive Officer of Secor Conseil from 2002 to 2005. Finally, he was a member of the Board of Directors of the newspaper Le Devoir between 2002 and 2005 and the Board of Trade of Metropolitan Montréal between 2004 and 2005. He received the MBA of the Year Award in 1997 and the Prix Dimensions in 2000. In 2002, he was mandated to develop a cultural policy for the City of Montréal.

Mr. Bachand was elected to the Québec National Assembly for Outremont on December 12, 2005 and reelected three times in 2007, 2008 and 2012. He was Minister of Economic Development, Innovation and Export Trade from February 2006 to June 2009, Minister of Tourism from April 2007 to December 2008, Minister responsible for the Montréal region from April 2007 to September 2012, Minister of Finance from April 2009 to September 2012 and Minister of Revenue from August 2010 to September 2013. He retired from political life on September 13, 2013.

In addition, on January 20, 2014, Mr. Bachand joined the firm Norton Rose Fulbright as strategic advisor. He has also been President of the Institut du Québec, a partnership between the Conference Board of Canada and HEC Montréal, since February 2014, Chairman of the Board of Tourisme Montréal since June 2014 and a member of the Board of Directors and the Risk Management Committee of National Bank of Canada since October 29, 2014.

A native of Montréal, Mr. Bachand received his law degree from the Université de Montréal in 1969 and became a member of the Québec Bar the following year. He obtained a Master's of Business Administration (MBA) from Harvard University in 1972, and then a Doctorate of Business Administration (DBA) in 1981.

Areas of expertise: Financial services, tourism, professional services, consumer goods and retail, risk management, academic community, corporate governance, corporate management, finance and accounting, operations, strategic planning, board service for other public companies, marketing and sales, international, community involvement, business development and mergers-acquisitions.

Board/Committee membership		Attendance		Fees paid during FY 2014 ⁽²⁾	Value of equity compensation in FY 2014 ⁽²⁾	
Board of Directors		6 of 6	100%	\$15,517	\$29,113	
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 ⁽⁴⁾	Compliance with requirement	Stock options
0	3,296	3,296	\$28,840	\$150,000	In progress	n/a

Louis-Marie Beaulieu



Age: 60

Mandatory retirement: 2029

Québec, Canada

Director since March 2013

Independent⁽¹⁾

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. 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. 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.

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) from 1989 to 1996, the Société Immobilière du Québec from 1997 to 2003 and the Canadian Commercial Corporation (CCC) from 2001 to 2004. He also served as Chairman of a number of audit committees, including those of SAAQ, CCC and Standard Compensation Act Liability Association Ltd. (SCALA). In addition, Mr. Beaulieu was a member of various organizations, such as the Commission des études of UQAR, 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.

He is currently a member of several boards of directors, including those of SCALA since 1995 (and Chairman of the Board since October 2013), the Canadian Shipowners Association since 1990, the Chamber of Marine Commerce since 1997 and the Conseil du patronat du Québec since May 2011 (and Chairman of the Board since April 2014). Also, since his acquisition of Groupe Desgagnés, he serves as Chairman of the Board of Directors of the company's subsidiaries.

He is also a member of various organizations and associations, including the Canadian Marine Advisory Council, the Cercle des présidents and QG-100 Network.

Areas of expertise : Marine transportation, corporate management, risk management, corporate governance, finance and accounting, operations, strategic planning, community involvement and human resources.

Board/Committee membership	Attendance		Fees paid during FY 2014 ⁽²⁾	Value of equity compensation in FY 2014 ⁽²⁾
Board of Directors	9 of 9	100%	\$36,750	\$30,000

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 ⁽⁴⁾	Compliance with requirement ⁽⁴⁾	Stock options
10,000	4,741	14,741	\$128,984	\$150,000	In progress	n/a

Lina De Cesare



Age: 63

Mandatory retirement: 2027

Québec, Canada

Director since May 1989

Non-independent⁽¹⁾

(Ex-executive officer)

Lina De Cesare is a director of the Corporation since May 1989, and is one of its three founding members along with Messrs. Eustache and Sureau. She was Advisor to the President of the Corporation from November 2009 to October 2014, and now acts as consultant to the Corporation since November 2014. Until November 2009, she was President, Tour Operators, as well as President of several subsidiaries of the Corporation, namely: Cameleon Hotel Management Corporation, Cameleon Marival (Canada) Inc., Trafictours Canada Inc. and Transat Holidays USA, Inc. She was a director of Solareh Inc. and served on the Board of Directors of Cirque Eloize. She is also a member of the Board of Directors of Trafictours Canada Inc. and the Ocean company held in part by Transat.

Areas of expertise: Tourism, air transportation, corporate management, risk management, operations, consumer goods and retail, international, hotel industry, strategic planning and community involvement.

Board/Committee membership	Attendance		Fees paid during FY 2014 ⁽²⁾	Value of equity compensation in FY 2014 ⁽²⁾
	8 of 9	89%		
Board of Directors	8 of 9	89%	\$50,250	\$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, 2014 ⁽⁴⁾	Compliance with requirement	Stock options
75,576	8,959	84,535	\$739,681	\$150,000	Yes	73,254

Jean Pierre Delisle



Age: 70

Mandatory retirement: 2020

Québec, Canada

Director since September 2007

Independent⁽¹⁾

Jean Pierre Delisle is a corporate director and estate administrator. Mr. Delisle joined Ernst & Young s.r.l./S.E.N.C.R.L. (“EY”) 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 EY in November 1988. Until his retirement in 2000, Mr. Delisle held a number of positions within EY including that of Managing Partner of the Montréal 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.

Areas of expertise: Corporate governance, financial services, finance and accounting, risk management, professional services, corporate management, business development and board service for other public companies.

Board/Committee membership	Attendance		Fees paid during FY 2014 ⁽²⁾	Value of equity compensation in FY 2014 ⁽²⁾
Board of Directors	9 of 9	100%	\$51,750	\$15,000
Audit Committee	5 of 5	100%	\$12,000	–
Corporate Governance and Nominating Committee	5 of 5	100%	\$10,000	–

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, 2014 ⁽⁴⁾	Compliance with requirement	Stock options
33,000	10,527	43,527	\$380,861	\$174,000	Yes	n/a

W. Brian Edwards



Age: 65
Mandatory retirement: 2025
Québec, Canada
Director since June 2010
Independent⁽¹⁾

W. Brian Edwards is a corporate director 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, Mr. 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 since 2012. From 2010 to 2014, he was a member of the Board of Directors of Pethealth Inc., a public company listed on the TSX, until its acquisition in 2014. He is a member of the Board of Directors of Camoplast Inc. since 2004 and the Chairman of its Compensation Committee. Since 2014, Mr. Edwards has been a member of the Board of Directors of Atrium Innovations Inc. He 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 2011.

Areas of expertise: Technology, corporate management, risk management, human resources, operations, strategic planning, business development and community involvement

Board/Committee membership	Attendance		Fees paid during FY 2014 ⁽²⁾	Value of equity compensation in FY 2014 ⁽²⁾
Board of Directors	9 of 9	100%	\$32,875	\$34,375
Executive Committee	1 of 1	100%	\$2,500	\$1,500
Human Resources and Compensation Committee (Chair)	4 of 4	100%	\$11,000	\$5,000
Corporate Governance and Nominating Committee	5 of 5	100%	\$8,500	\$1,500

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

Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required as at October 31, 2014 ⁽⁴⁾	Compliance with requirement	Stock options
18,790	19,624	38,414	\$336,123	\$198,000	Yes	n/a

Jean-Marc Eustache



Age: 67

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 Chairman of the Executive Committee of the Corporation, as well as one of its three founding members along with Ms. Lina De Cesare and Mr. Philippe Sureau. Mr. Eustache is also Chairman of the Board of Directors and President of Transat Distribution Canada Inc. and Transat Tours Canada Inc., as well as President of Air Transat A.T. Inc., subsidiaries 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, including 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, air transportation, corporate management, risk management, operations, board service for other public companies, consumer goods and retail, mergers-acquisitions, international, corporate governance and community involvement.

Board/Committee membership	Attendance		Fees paid during FY 2014 ⁽²⁾	Value of equity compensation in FY 2014 ⁽²⁾
Board of Directors (Chair)	9 of 9	100%	–	–
Executive Committee (Chair)	1 of 1	100%	–	–

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

Voting Shares	DSUs	Total of Voting Shares and DSUs	Acquisition cost of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required as at October 31, 2014 ⁽⁵⁾	Compliance with requirement	Stock options
401,766	10,331	412,097	\$4,130,209	\$2,496,825	Yes	979,145

Susan Kudzman



Age: 52

Mandatory retirement: 2038

Québec, Canada

Director since March 2014

Independent⁽¹⁾

A specialist in risk management and human resources, Ms. Susan Kudzman is Senior Vice President, Human Resources, at Laurentian Bank. She was a partner at Mercer Canada, where she led the risk management practice from 2011 to 2014. Previously, she held the position of Executive Vice-President and Chief Risk Officer at Caisse de dépôt et placement du Québec, where she worked from 2005 to 2010. In addition to risk management, she was responsible for depositor services, performance calculation and analysis and strategic planning. From 2000 to 2005, she held the positions of Chief Human Resources Officer and Chief Corporate Officer at BCE Emergis Inc., a publicly traded company specializing in electronic transactions.

She is a member of the Board of Directors of Yellow Pages Group. She is also a member of the Board of Directors and the Audit Committee of AtmanCo, a publicly traded company specializing in online employee assessment. She has been Vice-Chair of the Board of Directors and the Executive Committee and a member of the Audit Committee of Les Grands Ballets Canadiens de Montréal since 2000. She is a member of the Board of Directors, the Investment Committee and the Human Resources Committee of the Montréal Heart Institute Foundation. She served as Chair of the Board of Directors of Quartier International de Montréal from 2006 to 2013.

Ms. Kudzman holds a Bachelor's degree in Actuarial Science and the titles of Fellow of the Canadian Institute of Actuaries (FCIA), Fellow of the Society of Actuaries (FSA) and Certified Enterprise Risk Analyst (CERA).

Areas of expertise: Financial services, technology, professional services, community involvement, corporate governance, finance and accounting, board service for other public companies, international, business development and mergers-acquisitions, risk management, strategic planning and human resources.

Board/Committee membership		Attendance		Fees paid during FY 2014 ⁽²⁾	Value of equity compensation in FY 2014 ⁽²⁾	
Board of Directors		6 of 6	100%	\$9,000	\$34,546	
Human Resources and Compensation Committee		2 of 2	100%	\$3,000	\$3,000	
Securities beneficially owned, directly or indirectly, or controlled or directed:						
Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required ⁽⁴⁾	Compliance with requirement	Stock options
0	4,252	4,252	\$37,205	\$150,000	In progress	n/a

Jean-Yves Leblanc



Age: 68

Mandatory retirement: 2022

Québec, Canada

Director since December 2008

Lead Director
Independent⁽¹⁾

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 Board 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; he is also Chairman of the Audit and Ethics Committee, Chairman of the Compensation and Human Resources Committee and Chairman of the Risk Management and Safety Committee. He has also been a member of the Board of Directors, the Audit and Risk Management Committee and the Human Resources and Governance Committee of Pomerleau Inc. since 2003. He has also been 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. From September 2011 to April 2014, Mr. Leblanc served 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. Mr. Leblanc was also Chairman of the Board of Directors of the Conseil du Patronat du Québec from 2010 to 2014. He was a member of the Board of Directors of Desjardins Securities from 2004 to 2013, as well as Chairman of its Audit, Risk Management and Ethics Committee and a member of its Compensation Committee. He also served on the Board of Directors of the Montréal Heart Institute from 2001 to 2011. He was a member of the Board of Directors of IPL Inc. from 2006 to 2010, as well as Chairman of its Human Resources and Governance Committee. Mr. Leblanc was also a member of the Board of Directors of ADS Inc. from 2004 to 2009, a member of its Audit and Risk Management Committee and Chairman of its Human Resources and Governance Committee. Mr. Leblanc was Chairman of the Board of Directors of Théâtre du Nouveau Monde from 2005 to 2010 and a member of the Board of Directors of the Montréal Heart Institute Foundation from 2003 to 2009. Mr. Leblanc holds a Bachelor's degree in Mechanical Engineering from 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.

Areas of expertise: Corporate governance, risk management, academic community, marketing and sales, transportation, corporate management, finance, mergers-acquisitions, board service for other public companies, operations, international, strategic planning, human resources and community involvement.

Board/Committee membership	Attendance		Fees paid during FY 2014 ⁽²⁾	Value of equity compensation in FY 2014 ⁽²⁾
Board of Directors (Lead Director)	9 of 9	100%	\$77,250	\$25,000
Executive Committee	1 of 1	100%	\$4,000	–
Human Resources and Compensation Committee	4 of 4	100%	\$9,000	–
Audit Committee (Chair)	5 of 5	100%	\$22,000	–

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 ⁽⁴⁾	Compliance with requirement	Stock options
5,000	13,880	18,880	\$165,200	\$288,000	In progress	n/a

Tony Mignacca



Age: 56

Mandatory retirement: 2034

Québec, Canada

Director since March 2014

Independent⁽¹⁾

Tony Mignacca has been Chief Executive Officer and Chairman of the Board of SAIL Outdoors Inc. since 2009. He also served as Chief Executive Officer and Chairman of the Board of Ski-Mode Bernard Trottier Inc. from 1995 to 2008 and, during that period, acquired Baron Sport in 2000 and SAIL Outdoors in 2005. Parallel to this, in 1997, he was co-shareholder of Groupe Conseil Strator Inc., a consulting firm in the retail, distribution and service field, whose main client was Caisse de dépôt et placement du Québec. In this capacity, he was involved in several accounts, such as Motovan, The Hockey Company, Chapter's and Rona, which gave him a better understanding of the objectives of financial institutions, their risk analyses, the returns sought and how to structure major transactions. From 1991 to 1994, he was President and Chief Operating Officer of the Canadian retail leader in sporting goods and sportswear, Sports Experts Inc. He held several positions with this company from 1986 to 1991. Mr. Mignacca is a member of the Board of Directors of the Canadian Sportfishing Industry Association (CSIA) and La vie en rose. He has also been a member of the Board of Directors of the Conseil québécois du commerce de détail / Retail Council of Québec (CQCD), Motovan Corporation as representative of Caisse de dépôt et placement du Québec.

Areas of expertise: Marketing, communications and advertising, professional services, consumer goods and retail, corporate management, finance, risk management, marketing and sales, business development and mergers-acquisitions, operations, strategic planning and board service for other public companies.

Board/Committee membership	Attendance		Fees paid during FY 2014 ⁽²⁾	Value of equity compensation in FY 2014 ⁽²⁾
Board of Directors	6 of 6	100%	\$22,034	\$22,602

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 ⁽⁴⁾	Compliance with requirement	Stock options
0	2,558	2,558	\$22,383	\$150,000	In progress	n/a

Jacques Simoneau



Age: 57

Mandatory retirement: 2033
Québec, Canada

Director since November
2000

Independent⁽¹⁾

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 ("BDC") 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. (TSXV: AZM), Diagnostics Inc. (TSX: CUR), Génome Québec and Sustainable Development Technology Canada. 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 fifteen 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.

Areas of expertise: Corporate governance, air transportation, finance and accounting, risk management, marketing, communications, advertising, strategic planning, operations, technology, academic community, human resources, business development and mergers-acquisitions, corporate management and board service for other public companies.

Board/Committee membership	Attendance		Fees paid during FY 2014 ⁽²⁾	Value of equity compensation in FY 2014 ⁽²⁾
Board of Directors	9 of 9	100%	\$51,750	\$15,000
Executive Committee	1 of 1	100%	\$4,500	–
Audit Committee	5 of 5	100%	\$12,000	–
Corporate Governance and Nominating Committee (Chair)	5 of 5	100%	\$17,000	–

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, 2014 ⁽⁴⁾	Compliance with requirement	Stock options
15,580	11,141	26,721	\$233,809	\$204,000	Yes	671

Philippe Sureau



Age: 65

Mandatory retirement: 2025

Québec, Canada

Director since February 1987

Non-independent⁽¹⁾

(Ex-executive officer)

Philippe Sureau is a director of the Corporation since February 1987, and is one of its three founding members along with Mr. Jean-Marc Eustache and Ms. Lina De Cesare. He was Advisor to the President of the Corporation from November 2009 to October 2014, and now acts as consultant to the Corporation since November 2014. Mr. Sureau is also Chairman of the Board of Directors of Travel Superstore Inc. Until November 2009, 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 A.T. Inc. (1997-2000) and directed Transat's Internet venture. Until November 2009, 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 and a member of the Board of Directors of La Vitrine culturelle de Montréal.

Areas of expertise: Tourism, air transportation, technology, corporate management, risk management, corporate governance, mergers-acquisitions, consumer goods and retail, communications and advertising, strategic planning, public relations, marketing, operations and international.

Board/Committee membership	Attendance		Fees paid during FY 2014 ⁽²⁾	Value of equity compensation in FY 2014 ⁽²⁾
Board of Directors	9 of 9	100%	\$47,375	\$19,375

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, 2014 ⁽⁴⁾	Compliance with requirement	Stock options
323,209	15,031	338,240	\$2,959,600	\$150,000	Yes	69,030

(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 6 of this Circular for a description of the compensation policy applicable to our outside directors during the year ended October 31, 2014.

(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 October 31, 2014 (\$8.75) 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. 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.

(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.

To the knowledge of Transat, none of the proposed nominees for election as directors of the Corporation is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director or executive officer of any company that (i) was subject to an order that was issued while the proposed nominee was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an order that was issued after the proposed nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of Transat, none of the proposed nominees for election as directors of the Corporation (i) is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director or executive officer of any company that, while the nominee was acting in that capacity, or within a year of that nominee ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; and (ii) has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets.

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 Governance and Nominating Committee then reviews this offer to resign and recommends that the Board of Directors accept or reject it. The Board of Directors makes a 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 Ms. Susan Kudzman and Mr. W. Brian Edwards, who both serve on the Board of Directors of AtmanCo Inc., no member of our Board of Directors serves with another member of the Board of Directors of another operating corporation.

2.3 Shareholding Guidelines for Directors

In order to align the interests of the directors with those of the shareholders, the Board of Directors has adopted a minimum equity ownership requirement for directors. After having served three years as director, 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. As at the date of this Circular, all the directors already comply or, in the case of Mr. Raymond Bachand, Mr. Louis-Marie Beaulieu, Mr. Jean-Yves Leblanc, Mr. Tony Mignacca and Ms. Susan Kudzman, are in the process of complying with the shareholding guidelines.

3. APPOINTMENT OF OUR EXTERNAL AUDITORS

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

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

In 2014, the aggregate amounts billed for professional services provided by the external auditors to the Corporation and its subsidiaries were approximately \$1,122,000 for audit fees, \$72,000 for audit-related fees and \$163,000 for tax fees; the comparative figures for 2013 were \$1,446,000, \$35,000 and \$120,000, 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 external 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.

3.1 External Auditors' Independence

In addition to the letter issued by the external auditors regarding their independence, the Corporation and the Audit Committee of the Board have considered whether the services performed by the external 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. EMPLOYEE SHARE PURCHASE PLAN

At the Meeting, the shareholders will be asked to consider and, if deemed advisable, approve the resolution set forth below (the **"resolution ratifying the amendments to the 2015 Employee Share Purchase Plan"**) in order to ratify the amendments to the Share Purchase Plan for the Benefit of All Employees or Executives of the Corporation, amended and updated January 1st, 2015 (the **"2015 Employee Share Purchase Plan"**). The 2015 Employee Share Purchase Plan was first established in January 1989 and was amended in November 2004, March 2007 and March 2012. For the most recent period beginning January 1st, 2014 and ending December 31, 2014, a total of 267 employees of the Corporation were members of the 2015 Employee Share Purchase Plan. The Transaction Plan (as more fully described in Section 7 "Executive Compensation Discussion and Analysis" of this Circular) and the Transcapital Plan (as more fully described below) are directly tied to the 2015 Employee Share Purchase Plan as regards to the total number of shares issuable to a single person or to insiders of the Corporation. On December 10, 2014, the Board of Directors approved the establishment of a new reserve of 525,000 shares issuable in addition to the remaining balance of 96,875 shares to be issued pursuant to the 2015 Employee Share Purchase Plan, as well as certain other minor changes. In order for the new reserve established under the 2015 Employee Share Purchase Plan to become effective, the resolution ratifying the amendments to the 2015 Employee Share Purchase Plan must be approved by a majority of the votes cast by the shareholders present or represented by proxy at the Meeting.

Recent Amendments to the 2015 Employee Share Purchase Plan

The primary objective of the amendments to the existing 2015 Employee Share Purchase Plan is to provide a new reserve of shares issuable to employees in the next few years under the Share Purchase Plan for the Benefit of All Employees or Executives of Transat. Certain other minor changes for concordance purposes have also been made to the 2015 Employee Share Purchase Plan in order to update it. The full text of the amended and updated 2015 Employee Share Purchase Plan is set out in Schedule B to this Circular. A summary of the main terms and conditions of the 2015 Employee Share Purchase Plan and of the Transaction and Transcapital Plans that are tied to the 2015 Employee Share Purchase Plan is provided below for the Transcapital Plan and in Section 7 "Executive Compensation Discussion and Analysis" of this Circular for the Transaction Plan.

Before deciding to approve the amendments to the 2015 Employee Share Purchase Plan, the Board of Directors took into consideration the fact that as at December 10, 2014, only 96,875 reserved shares remained, such that by adding 525,000 additional shares reserved for future issuance under the 2015 Employee Share Purchase Plan, the total number of these reserved shares would represent 1.6% of the total number of outstanding voting shares of Transat. As of December 10, 2014, the maximum number of shares issuable pursuant to the 2015 Employee Share Purchase Plan is 96,875 shares, representing 0.25% of the total number of outstanding voting shares of Transat. The new reserve of 621,875 shares represents an increase of 525,000 reserved shares, namely 1.35% of the issued shares.

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

"WHEREAS, at its meeting of December 10, 2014, the Board of Directors of the Corporation passed, subject to shareholder approval, a resolution approving the new reserve of shares to be issued under the 2015 Employee Share Purchase Plan;

BE IT RESOLVED:

1. THAT the Corporation be and is hereby authorized to establish an additional reserve of 525,000 issuable shares, and this in addition to the balance of 96,875 reserved shares remaining as at December 10, 2014, for a total of 621,875 reserved shares, and to amend the text of the 2015 Employee Share Purchase Plan accordingly;

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 resolution ratifying the amendments to the 2015 Employee Share Purchase Plan.

Recommendation of the Board of Directors

The Board of Directors believes that the approval of the new reserve of shares to be issued under the 2015 Employee Share Purchase Plan is in the best interests of the Corporation and its shareholders and recommends that shareholders vote **FOR** the resolution ratifying the amendments to the 2015 Employee Share Purchase Plan.

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

▪ **Main Terms and Conditions of the 2015 Share Purchase Plan**

On February 12, 1989, the Corporation’s Board of Directors introduced the Share Purchase Plan for the Benefit of All Employees or Executives of the Corporation as well as those of its subsidiaries (each, a “Member”). This plan was amended on February 6, 1991, May 22, 1992, May 14, 1993, December 5, 1995, October 19, 2004, April 27, 2005, as well as on December 14, 2006 and March 15, 2012.

The purpose of the 2015 Share Purchase Plan is to enable regular employees of Transat and its subsidiaries to purchase on a monthly basis, by means of payroll deductions, new Voting Shares issued out of Transat’s treasury at the then current market price, being the weighted average closing price on the Toronto Stock Exchange during the 5 trading days preceding the date of subscription, less a 10% discount. No Member may sell all or any of the Voting Shares subscribed under this plan prior to July 1 of the year following that in which the shares were subscribed, on which date the subscribed shares are unrestricted.

Notwithstanding the foregoing, a Member may sell all of the Voting Shares subject to this Plan prior to the July 1 date mentioned above should Transat be subject to a change of control. For further explanations on the change of control provisions of the 2015 Share Purchase Plan, please refer to the full text of the amended Plan in Schedule B hereof.

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

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

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

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

During the financial year ended October 31, 2014, we issued a total of 96,328 Voting Shares (namely 0.25% of the issued shares) under the Share Purchase Plan and, as at October 31, 2014, we were authorized to issue 117,346 Voting Shares thereunder (namely 0.30% of the issued shares).

The 2015 Share Purchase Plan provides that an increase in the maximum number of voting shares issuable under the Share Purchase Plan (other than for standard anti-dilution purposes) must specifically be approved by the holders of a majority of the voting shares and that any other amendment to the Share Purchase Plan does not require the approval of the shareholders.

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

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

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

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

Subject to membership in the Share Purchase Plan offered to the Corporation's eligible employees, the Corporation awards annually to each eligible employee a number of Class B shares, the total purchase price of which corresponds to an amount between 20% and 60% of the maximum salary contribution, i.e. 5%. The shares thus awarded by the Corporation gradually vest to the eligible executive, subject to retention by this executive, during the first six months of the vesting period, of all shares purchased under the Corporation's Share Purchase Plan.

Shares awarded under this plan are acquired in the marketplace by the Corporation and are deposited in the member's account as shares are purchased by the employee under the Share Purchase Plan.

During the year ended October 31, 2014, the Corporation recognized a compensation expense of \$105,000 (compared to \$115,000 in 2013) in relation to its Stock Ownership and Capital Accumulation Plan (the "**Transcapital**" plan).

- ***Permanent Stock Ownership Incentive Plan for Top Managers***

For a description of the Permanent Stock Ownership Incentive Plan for Top Managers (the "**Transaction**" plan), please refer to Section 7 "Executive Compensation Discussion and Analysis" of this Circular.

5. 2009 STOCK OPTION PLAN

At the Meeting, the shareholders will be asked to consider and, if deemed advisable, approve the resolution set forth below (the "**Resolution ratifying the amendments to the 2009 Stock Option Plan**") in order to ratify the recent amendments described below and the amended and updated 2009 Stock Option Plan for executives and employees of the Corporation (the « **2009 Stock Option Plan** »). The 2009 Stock Option Plan was adopted by the Board of Directors on January 14, 2009, and was approved by the shareholders on March 11, 2009.

Recent Amendments to the 2009 Stock Option Plan

Amendments to the existing 2009 Stock Option Plan were made in order to: (i) provide for a new reserve of stock options issuable to Transat's executives and employees; and (ii) specify that all allocated shares remaining following the expiration or cancellation of options before they were exercised will become shares reserved for options which may be granted at a later date under the Plan. Certain other minor changes for concordance purposes have also been made to the 2009 Stock Option Plan in order to update it. The full text of the amended and updated 2009 Stock Option Plan is set out in Schedule C to this Circular and a summary of the main terms and conditions of this Plan is provided in Section 7 "Executive Compensation Discussion and Analysis" of this Circular under "Performance-based Stock Option Plans – The 2009 Stock Option Plan".

Before deciding to approve the amendments to the 2009 Stock Option Plan, the Board of Directors considered the fact that as at December 10, 2014, only 99,039 reserved shares remained, such that by adding the number of 850,000 shares reserved for future issuance under the 2009 Stock Option Plan, the total of these reserved shares represents, as at January 1st, 2015, 2.4% of the total number of the outstanding Voting Shares of Transat. As at January 1st, 2015, the maximum number of shares that may be issued under the 2009 Stock Option Plan is 949,039 shares, which represents 2.4% of the total number of outstanding Voting Shares of Transat. The new reserve of 949,039 shares represents an increase of 850,000 reserved shares, namely 2.3% of the issued shares.

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

“WHEREAS, at its meeting of December 10, 2014, the Board of Directors of the Corporation passed, subject to shareholder approval, a resolution approving the new reserve of stock options to be issued under the 2009 Stock Option Plan as well as the amendment specifying that options that have expired or been cancelled without being exercised may be subsequently granted under the plan;

BE IT RESOLVED:

1. THAT the Corporation be and is hereby authorized: (i) to establish a new reserve of 850,000 shares in addition to the 99,039 reserved shares remaining as at January 1st, 2015, for a total of 949,039 shares issuable under the 2009 Stock Option Plan; (ii) to amend the plan to specify that the options that have expired or been cancelled without being exercised may be subsequently granted under the plan; and (iii) to amend the text of the 2009 Stock Option Plan accordingly, in order to give effect to the establishment of this new reserve of stock options;

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 resolution ratifying the amendments to the 2009 Stock Option Plan.

Recommendation of the Board of Directors

The Board of Directors believes that the approval of the new reserve of shares issuable under the 2009 Stock Option Plan and the amendment of the plan to specify that the options that have expired or been cancelled without being exercised may be subsequently granted under the plan are in the best interests of the Corporation and its shareholders and recommends that shareholders vote **FOR** the resolution ratifying the amendments to the 2009 Stock Option Plan.

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

6. DIRECTORS' COMPENSATION

During the year ended October 31, 2014, 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 August 1st, 2014 (1)
Annual Board retainer (for board service only)	\$50,000 in cash plus an additional amount of \$15,000 awarded in DSUs, at \$3,750 per quarter
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

**Compensation policy in force since November 1, 2007 with
amounts revised as of August 1st, 2014 (1)**

Additional annual retainer payable to the Audit Committee members	\$5,000
Additional annual retainer payable to committee members (excluding committee chairpersons and Audit Committee members)	\$3,000
Additional annual retainer payable to the Lead Director	\$25,000 in cash and an additional amount of \$10,000 awarded in DSUs, at \$2,500 per quarter
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. Since March 15, 2006, option grants to non executive directors are suspended

(1) Effective August 1, 2014, the directors' compensation policy was amended by increasing the annual Board retainer, which rose from \$35,000 to \$50,000. The other elements of the compensation policy were not changed, i.e. the additional retainers payable to the committee chairpersons and the committee members, the additional compensation payable to the Lead Director, and the attendance fees.

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, 2014, 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)						
Raymond Bachand ⁽⁶⁾	6,517	9,000	29,113	–	–	–	0	44,630
Louis-Marie Beaulieu	23,750	13,000	30,000	–	–	–	0	66,750
Lina De Cesare	38,750	11,500	15,000	–	–	–	274	65,524
Jean Pierre Delisle	46,750	27,000	15,000	–	–	–	1,345	90,095
W. Brian Edwards	27,375	27,500	42,375	–	–	–	1,364	98,614
Susan Kudzman ⁽⁶⁾	0	12,000	37,546	–	–	–	1,024	50,570
Jean-Yves Leblanc	84,750	27,500	25,000	–	–	–	2,454	139,704
Tony Mignacca ⁽⁶⁾	13,034	9,000	22,602	–	–	–	0	44,636
Jacques Simoneau	56,750	28,500	15,000	–	–	–	0	100,250
Philippe Sureau	34,375	13,000	19,375	–	–	–	1,486	68,236
John D. Thompson ⁽⁶⁾	15,702	7,500	5,478	–	–	–	0	28,680

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)						
Dennis Wood(6)	0	7,000	19,538	–	–	–	344	26,702

(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) Mr. John D. Thompson and Mr. Dennis Wood left office on March 12, 2014. Mr. Raymond Bachand, Ms. Susan Kudzman and Mr. Tony Mignacca took office on March 13, 2014.

▪ 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, 2014										
	Quarter									
	Q1 January 31		Q2 April 30		Q3 July 31		Q4 October 31		Total DSUs credited	Total value of DSUs credited
	(#)	(\$)	(#)	(\$)	(#)	(\$)	(#)	(\$)	(#)	(\$)
Raymond Bachand	–	–	578	5,676	1,192	10,312	1,526	13,125	3,296	29,114
Louis-Marie Beaulieu	305	3,750	827	8,125	939	8,125	1,163	10,000	3,234	30,000
Lina De Cesare	305	3,750	382	3,750	434	3,750	436	3,750	1,557	15,000
Jean-Pierre Delisle	305	3,750	382	3,750	434	3,750	436	3,750	1,557	15,000
W. Brian Edwards	823	10,125	1,031	10,125	1,171	10,125	1,395	12,000	4,420	42,375
Susan Kudzman	–	–	743	7,296	1,532	13,250	1,977	17,000	4,252	37,546
Jean Yves Leblanc	508	6,250	636	6,250	723	6,250	727	6,250	2,594	25,000
Tony Mignacca	–	–	456	4,477	939	8,125	1,163	10,000	2,558	22,602
Jacques Simoneau	305	3,750	382	3,750	434	3,750	436	3,750	1,557	15,000
Philippe Sureau	661	8,125	382	3,750	434	3,750	436	3,750	1,913	19,375
John D. Thompson(1)	305	3,750	176	1,727	–	–	–	–	481	5,477
Dennis Wood(1)	1,077	13,250	622	6,103	–	–	–	–	1,699	19,353

(1) After Mr. Thompson and Mr. Wood left office as directors during the annual and special meeting of the shareholders held on March 13, 2014, the total DSUs they held were redeemed on June 13, 2014 in accordance with the terms and conditions of the Deferred Share Unit Plan.

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:

- **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.

- **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.

- **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

- **Responsibilities**

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, 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.

In particular and without limiting the scope of its mandate, the Committee has the following duties and responsibilities:

- I. After reviewing the recommendations from senior management, make recommendations to the Board on the annual general policy on basic remuneration applicable to all employees;
- II. Make recommendations to the Board on the structure of the remuneration programs forming the total remuneration of executives in salary grades 1 through 11;
- III. Review any recommendation on the total remuneration policy and each one of its components, including base salary, short-term and long-term incentive programs, employee benefits and other benefits; and annually ensure that this policy and all programs that support it satisfy the internal equity and outside competitiveness objectives of the Corporation for salary grades 1 through 11 and reflect the evolution of practices in this regard;
- IV. Review the policies established for assessing the performance of executives in salary grades 1 through 11;

- V. In collaboration with the President and Chief Executive Officer, examine the actions taken for ensuring the development and succession of the President and Chief Executive and the senior executives in salary grades 1 through 6 and report thereon to the Board;
- VI. Approve, for each fiscal year, the objectives of the President and Chief Executive Officer and review the objectives of senior executives in salary grades 1 through 6 with the President and Chief Executive Officer;
- VII. Assess the performance of the President and Chief Executive Officer, report and make any recommendations to the Board regarding this assessment;
- VIII. In collaboration with the President and Chief Executive Officer, review the performance of senior executives in salary grades 1 through 6 and report thereon to the Board;
- IX. Make recommendations to the Board on the remuneration of the President and Chief Executive Officer;
- X. Review the recommendations of the President and Chief Executive Officer on the lower and upper limits of the salary to be paid to senior executives in salary grades 1 through 6 and on the remuneration to be paid to senior executives;
- XI. Approve the eligibility to and objectives of the short-term and long-term incentive plans and the eligibility to the retirement agreements for senior executives in salary grades 1 through 6, and recommend any action or allotment of shares or securities under any plan included in these incentive plans and approve the award allocations to be paid to eligible executives;
- XII. Review and make recommendations to the Board on the appointment of the President and Chief Executive Officer;
- XIII. Review the recommendations of the President and Chief Executive Officer on the appointment of senior executives in salary grades 1 through 6 and provide feedback, if any;
- XIV. Conduct an annual assessment of the services and independence of all outside advisors hired from time to time by the Committee;
- XV. Ensure compliance with the hiring policies established by the Audit Committee regarding partners and employees and former partner and employees of the external auditors;
- XVI. Make recommendations to the Board on the remuneration of its members and of the directors involved in the committees of the Corporation;
- XVII. Supervise the process of preparing the Management Proxy Circular regarding the contents of the disclosure on compensation of certain executives and the directors; and
- XVIII. Conduct an annual review of the performance of the Corporation's pension plans.

▪ **Composition**

The Committee is currently composed of Mr. Jean-Yves Leblanc, Ms. Susan Kudzman and Mr. Brian Edwards. Mr. Brian Edwards was appointed chair of the Committee on March 15, 2012. Ms. Susan Kudzman was appointed a member of the Committee on March 13, 2014, while Mr. John Thompson and Mr. Dennis Wood left the Committee following their departure from the Board of Directors. 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 Mr. Brian Edwards, Ms. Susan Kudzman and Mr. Jean-Yves Leblanc. It should be noted that Mr. Jean-Marc Eustache attends the meetings of the Committee upon invitation only and withdraws from the meeting upon request or if matters relating to him are discussed.

▪ **Qualifications and Experience of the Committee Members**

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. 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. Ms. Susan Kudzman is Senior Vice-President, Human Resources, at Laurentian Bank. In the past, she has held an Executive Vice-President position at Emergis, where she led the Human Resources function from 2000 to 2006. Prior to 2000, she was Vice-President, Compensation and Benefits, at Laurentian Bank. 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 every two years. This charter is described in paragraph 7.2 above 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. The following are the principal activities of each meeting of the Committee:

Meeting	Principal Activities
December 2013	Conducting the annual performance review of the President and CEO and executive officers. Examining the executive officer salary review proposals. Examining the proposals for amounts payable to executive officers under the Short-Term Incentive Program. Defining senior management objectives for the coming year. Reviewing the Committee's charter and annual work program.
January 2014	Approving the financial targets for the incentive plans (STIP, RSU, Options) for the next fiscal year. Preparing/approving the contents of the disclosure regarding the compensation paid to the most senior executive officers and the members of the Board of Directors via the Management Proxy Circular. Recommending the annual stock option grants and RSU grants. Reviewing, if applicable, the retirement agreements of the President and CEO and other eligible executive officers.
April 2014	Proposing the compensation of the members of the Board and its committees. Conducting an annual review of the yields of the employees' pension funds, making recommendations and submitting them to the Board of Directors for approval. Reviewing the performance evaluation policy and process. Examining the proposals for the desirable changes to the overall compensation policy or to certain specific programs. Evaluating the services rendered by the consultant chosen for senior executive compensation and establishing his independence. Take stock of the status of labour relations and collective bargaining.

Meeting	Principal Activities
October 2014	<p>Examining the budget proposals for salary reviews and salary scale increases.</p> <p>Analyzing the preliminary results regarding the achievement of the objectives of our incentive plans for the fiscal year then ending.</p> <p>Analyzing the potential risks associated with the compensation plans.</p> <p>Examining the proposals for desirable changes to the overall compensation policy or to certain specific programs.</p> <p>Reviewing the succession plan for Transat A.T. Inc. and its subsidiaries.</p>

▪ **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, 62 risks have been identified, 9 of which are related to human resources. Concerning the risk specific to compensation, namely the inability to recruit or retain executives due to compensation or to pay above-market compensation, the Corporation has adopted various measures over the past few years to mitigate this risk: salary surveys, specific analysis of the salary positioning of employees and executives in terms of succession or critical positions, annual review of the short-term and long-term incentives. All these measures facilitate recruiting or reduce the risk that key employees will leave the Corporation.

Each of these 62 risks is presented individually on a roadmap and monitoring of the implementation of the measures is performed in accordance with established priorities. 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.

The Corporation's insider trading guidelines include a prohibition against participating in a hedge trade that could reduce or limit the economic risk associated with Transat shares or other securities held by an insider or the rights held by an insider to the shares, including, without limitation, outstanding stock options, deferred share units (DSUs), restricted share units (RSUs) or other Transat securities. The prohibited transactions include the purchase of financial instruments, including prepaid variable forward contracts, equity swaps, call options, put options and other derivatives designed to hedge or offset a decrease in market value of Transat's equities.

7.3 Comparison Group

A review of the comparison group was conducted in April 2014. The following selection criteria were used:

- size in terms of sales and stock market capitalization;
- sector of activity, i.e. the entertainment, consumer discretionary, airline operations, 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.

The following table sets out the comparison group, comprising 20 corporations.

Company	Comparable size	Sector of activity			Several business units	International scope of operations	Head office in Québec
		Entertainment Discretionary	Airline operations	Distribution and Retail			
Air Canada Inc.			X			X	X
Aimia Inc. (Aeroplan)	X	X			X	X	X
Canadian Tire Corporation, Limited				X	X		
Cascades Inc.	X				X	X	X
Chorus Aviation Inc.			X				
Cineplex Inc.		X					
Cogeco Inc.	X	X			X		X
Corus Entertainment Inc.		X			X		
Dollarama Inc.	X			X			X
Hudson's Bay Company	X			X			
The Jean-Coutu Group (PJC) Inc.	X			X		X	X
Metro Inc.				X			X
Quebecor Inc.	X	X		X	X	X	X
Rona Inc.	X			X			X
Shaw Communications	X	X					
Tim Hortons Inc.	X			X		X	
Torstar Corporation		X			X		
Transcontinental Inc.	X	X			X	X	X
TransForce Inc.	X				X		X
WestJet Airlines Ltd.	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 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 advisors from the firm PCI-Perrault Consulting Inc., to advise it on corporate governance and executive compensation. These advisors report to the Committee. Although the advisors from this firm contribute to the Committee's discussions with their 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 PCI-Perrault Consulting Inc. Occasionally, this firm is solicited by other committees of the Board and by executives to perform assignments other than those mandated by the Committee. PCI-Perrault Consulting Inc. only performs such assignments with the Committee's consent. During fiscal year 2014, PCI-Perrault Consulting 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 Corporation, the Committee and the Corporate Governance and Nominating Committee during fiscal year 2014 amount to \$65,891 and \$9,050 respectively (compared to \$10,550 and \$8,250 in 2013).

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	Subject to a performance rule	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 	<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"> 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	<ul style="list-style-type: none"> Motivate senior executives to achieve and exceed corporate financial goals. 	1 year	x		x	Adjusted net earnings of Transat and earning before interest and tax of the subsidiary
	<ul style="list-style-type: none"> Short-term incentive program ("STIP") 	<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		x	Adjusted net earnings of Transat
	<ul style="list-style-type: none"> 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		x	Adjusted net earnings of Transat
	Long-term incentive opportunity	Promote share ownership and: <ul style="list-style-type: none"> Motivate to increase the price per share. Motivate to achieve corporate financial goals. Promote retention through vesting conditions. 	7-year term, with 1/3 of options vesting after 1 year, 1/3 after 2 years, 1/3 after 3 years, subject to the performance rule		x	x	Adjusted net earnings of Transat and price per share
	<ul style="list-style-type: none"> Stock options 	Promote share ownership and: <ul style="list-style-type: none"> Motivate to increase the price per share. Motivate to achieve corporate financial goals. Promote retention through vesting conditions. 	7-year term, with 1/3 of options vesting after 1 year, 1/3 after 2 years, 1/3 after 3 years, subject to the performance rule		x	x	Adjusted net earnings of Transat and price per share

Compensation component		Objectives	Compensation period	Short term	Long term	Subject to a performance rule	Criteria
VARIABLE	<ul style="list-style-type: none"> 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, subject to the performance rule		x	x	Adjusted net earnings of Transat
	<ul style="list-style-type: none"> Performance-based share units (“PSUs”) – effective as of fiscal year 2014-2015 	<ul style="list-style-type: none"> Motivate to increase the price per share. Promote share ownership. Motivate to achieve corporate financial goals. Promote retention through vesting conditions. 	1/6 of PSUs vest after 1 year, 1/6 after 2 years, 1/6 after 3 years, subject to the performance rule. ½ vest at the end of 3-year after the award		x	x	Adjusted net earnings per share of Transat
	<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

▪ **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 Named Executive Officers were entitled to a salary review as at January 1st, 2014, ranging between 1.25% and 2.50%, according to their respective position in the salary scale. Consequently, Mr. Eustache and Mr. De Montigny were entitled to a 1.25% salary review, Mr. Godbout to 1.75% and Mr. Pétrin to 2.50%. Mr. Caradec was entitled to an 11.37% salary increase effective November 1, 2013, following the merger of Transat France’s legal entities. In December 2014, it was decided that the Named Executive Officers would be entitled to a salary review as at January 1st, 2015, ranging from 1.50% for Mr. Eustache, Mr. De Montigny and Mr. Caradec, to 2.25% for Mr. Godbout. Mr. Pétrin was entitled to a 10% increase in his base salary, to be consistent with the market comparison performed in December 2014.

▪ **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 2014.

▪ **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 year 2014.

▪ **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 between 1.5% and 2% 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 equal 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 year 2014.

▪ **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.

Basic principles:

- The global 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;
- 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;
- For all the Named Executive Officers, the bonus calculation formula is as follows:

Base salary	x	Target bonus 37.5%, 45%, 50% or 75% depending on the position level	x	Achievement of the financial target*	=	Bonus
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Financial targets:

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.

The financial targets to be achieved and their weighting, depending on the position, are as follows:

	Corporate (Transat AT)		Subsidiaries	
	Performance criterion	Weighting	Performance criterion	Weighting
Jean-Marc Eustache President and Chief Executive Officer, Transat A.T.	Adjusted net earnings (ANE) of Transat A.T.	100%	-	-
Denis Pétrin VP Finance and Chief Financial Officer, Transat A.T.	Adjusted net earnings (ANE) of Transat A.T.	100%	-	-

	Corporate (Transat AT)		Subsidiaries	
	Performance criterion	Weighting	Performance criterion	Weighting
Daniel Godbout Senior VP, Transport and Yield Management, Transat A.T.	Adjusted net earnings (ANE) of Transat A.T.	50%	Earnings before interest and tax (EBIT) of the Canadian tour operator	50%
André De Montigny VP, Corporate Development, Transat A.T.	Adjusted net earnings (ANE) of Transat A.T.	100%	-	-
Patrice Caradec President and General Manager, Transat France	Adjusted net earnings (ANE) of Transat A.T.	50%	Earnings before interest and tax (EBIT) of Transat France	50%

For the fiscal year 2014, Transat's overall target was adjusted net earnings equivalent to 1.50% of revenue, i.e. \$57,666,000.

At the meeting of the Board held on January 14, 2015, it was decided that the adjusted net earnings targets for the fiscal year 2015 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.

Financial results:

For the fiscal year 2014, Transat exceeded its adjusted net earnings threshold, thus allowing payment of bonuses to its eligible employees. The adjusted net earnings represented 1.21% of revenue. 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 year 2014:

Name	Minimum bonus opportunity (% of base salary)	Target bonus opportunity (% of base salary)	Maximum bonus opportunity (% of base salary)	Bonus paid for FY 2014 (\$)
Jean-Marc Eustache	0	75%	150%	\$477,240
Denis Pétrin	0	50%	100%	\$134,812
Daniel Godbout	0	45%	90%	\$79,907
André De Montigny	0	37.5%	75%	\$88,725
Patrice Caradec	0	37.5%	75%	\$176,095

At the meeting of the Board held on January 14, 2015, it was decided that for fiscal year 2015, the target bonus opportunity of the President and Chief Executive Officer will be increased from 75% to 90%, to be consistent with the market comparison performed in December 2014. The maximum bonus opportunity will be increased from 150% to 180%.

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 year 2014, when the financial criteria calculated at the end of the fiscal year reaches the budgeted target (i.e. adjusted net earnings of 1.50% of the revenue), 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.

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, general managers 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 since its implementation.

▪ **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.

Plan	Objective	Vesting / Performance rule
Stock Option Plans	<ul style="list-style-type: none"> Motivate to increase the price per share Motivate to achieve the Corporation's financial objectives Promote retention through vesting conditions 	<ul style="list-style-type: none"> Vesting of Options is subject to the achievement of a performance rule If the performance rule is achieved, 1/3 of the Options are vested after 1 year, 1/3 after 2 years, 1/3 after 3 years The Options have a 7-year lifespan (10 years for grants before 2014)
Restricted Share Unit ("RSU") Plan	<ul style="list-style-type: none"> Motivate to maintain achievement of the Corporation's financial objectives over a 3-year cycle Promote retention through vesting conditions 	<ul style="list-style-type: none"> RSU vesting is subject to the achievement of a performance rule valid for a 3-year cycle At the end of the 3-year cycle, the vesting percentage depends on the level of achievement of the performance rule The RSUs are cancelled at the end of the cycle if the achievement of the performance rule is below the predetermined minimum threshold
Performance-Based Share Unit ("PSU") Plan – effective from fiscal 2014-2015	<ul style="list-style-type: none"> Motivate to increase the price per share Promote share ownership Motivate to achieve the Corporation's financial objectives Promote retention through vesting conditions 	<ul style="list-style-type: none"> Vesting of 50% of the PSUs is subject to the achievement of a performance rule valid for a 3-year cycle If the performance rule is achieved, 16.7% of the PSUs are vested after 1 year, 16.7% after 2 years, and 16.7% after 3 years The PSUs are cancelled if the performance rule for a given year is not achieved The other 50% of the PSUs for a given cycle are vested automatically at the end of the cycle
Stock Ownership Incentive Plan	<ul style="list-style-type: none"> Support the achievement of shareholding guidelines Motivate to increase the price per share Promote retention through vesting conditions 	<ul style="list-style-type: none"> 1/3 of the shares are vested on the January 10 following the award year, and 1/3 on January 10 of the 2nd and 3rd years following the award year

The following table sets forth, for each Named Executive Officer (as defined on page 52 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%
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%
Patrice Caradec	75.0%	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 program in place at Transat and the option-based and share-based awards to the Named Executive Officers during fiscal year 2014 are described below.

- **Performance-Based Stock Option Plans**

- The 2009 Stock Option Plan

On January 14, 2009, the Board of Directors adopted the 2009 Stock Option Plan for officers and employees of the Corporation, which was approved by the shareholders on March 11, 2009. This plan was amended on January 12, 2011 and December 10, 2014. The 2009 Stock Option Plan complies with the rules and policies of the Toronto Stock Exchange (the "TSX"). Under the 2009 Stock Option Plan and before the amendments approved on December 10, 2014 come into force, 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 5.02% of the issued and outstanding voting shares of the Corporation as at October 31, 2014.

The purpose of the 2009 Stock Option Plan is to attract, retain and motivate the Beneficiaries by means of the grant of Options. The 2009 Stock Option Plan allows the Beneficiary of each Option to purchase one Voting Share for each Option held. The Option exercise price is equal to the weighted average trading price of the voting shares of the Corporation on the TSX for the five (5) trading days preceding the grant of the Options.

The Board of Directors of the Corporation may determine in its entire discretion, upon recommendation of the Committee, which beneficiaries will be granted Options, the grant 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 plan authorizes the grant of stock options with a lifespan of no more than 10 years. However, the Options issued since fiscal year 2014 have a 7-year lifespan. Should the option's expiry date fall within a cease-trading or other such period (barring certain exceptions) or within ten (10) business days following the end of such a period, the term of the said option shall be extended so that the end of its term falls on the tenth (10th) business day following the end of the cease-trading period.

Granting of Options under the 2009 Stock Option Plan is subject to the following limitations:

- The number of Options granted within one year cannot exceed 2% of the issued and outstanding Voting Shares of the Corporation;
- 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 2009 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 2009 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.

Vesting of the Options granted under the 2009 Stock Option Plan is subject to a performance condition determined by the Board of Directors at the time of each grant. Since the adoption of the 2009 Stock Option Plan, the performance condition used is an adjusted net earnings target expressed as a percentage of the Corporation's revenue. When the adjusted net earnings target is not met, the Options are not vested and the Beneficiary may not exercise them.

Under the 2009 Stock Option Plan, the Board of Directors may, without the shareholder's approval, make certain amendments of the following nature: (i) minor or technical amendments to any provision of the 2009 Plan; (ii) corrections to any provision of the 2009 Stock Option 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 2009 Stock Option 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.

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 (as defined in the 2009 Stock Option Plan), 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.

The Corporation may take any measure it may deem necessary or appropriate in order to proceed with the tax withholdings (including all deductions) it is required to make in respect of the 2009 Stock Option Plan. The Corporation's obligation to deliver the shares offered upon the exercise of an option is conditional on payment, by the beneficiary, of any amount that the Corporation may demand in order to satisfy any liability in respect of such withholding.

The options granted under the 2009 Stock Option Plan are non-transferrable.

At the Meeting, the shareholders will be asked to consider and, if deemed advisable, approve the Resolution ratifying the amendments to the 2009 Stock Option Plan adopted on December 10, 2014 in order to ratify the amendments described in Section 5 "2009 Stock Option Plan" of this Circular and the 2009 Stock Option Plan reproduced in Schedule C to this Circular.

- The Former Plan

On December 5, 1995, before the adoption of the 2009 Plan, 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.

Except for the following conditions, the Former Plan is identical to the 2009 Stock Option Plan (including the provisions governing the amendment of its terms and conditions with or without the shareholders’ approval):

- For the Options granted prior to January 8, 2014, vesting of the Options granted was not specifically subject to a performance condition. Only time determined the vesting of the Options granted;
- There is no rule stipulating that the number of Options granted within one year may not exceed 2% of the issued and outstanding shares of the Corporation;
- The Options granted in the past under the Former Plan which have not yet been exercised continue to be governed by the terms of the Former Plan.

On December 13, 2013, the Board of Directors of the Corporation amended the Former Plan in order to subject the Options available for grant purposes under the Former Plan to the same terms and conditions as those contained in the stock option grant agreement under the 2009 Stock Option Plan. This includes the subjection of these Options to a performance rule identical to that of the 2009 Plan, namely an adjusted net earnings target expressed as a percentage of the Corporation’s revenue.

Consequently, on January 8, 2014, Options were granted under the Former Plan, but with the same terms and conditions as the 2009 Stock Option Plan, i.e.:

- All Options granted on January 8, 2014 have a lifespan limited to 7 years;
- All Options, including those granted under the Former Plan, are subject to the same performance rule.

Subject to the foregoing, no other amendment was made to the Corporation’s stock option plans in 2014.

▪ Option Grant Process

The number of Options granted is established according to the position and base salary of each member and the exercise price. The number of Options granted to each Named Executive Officer is equal to a percentage of the 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 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.

▪ Option Grants during Fiscal Year 2014

On January 8, 2014, a total of 262,469 Options were granted under the 2009 Plan at an exercise price of \$12.49, and a total of 111,905 Options were granted under the Former Plan, for a total of 374,374 Options, representing 0.97% of the total outstanding voting shares. Of this number, an aggregate of 201,736 Options were granted to the Named Executive Officers, representing 0.52% of the total outstanding voting shares as at January 8, 2014. All Options granted as at January 8, 2014 have a lifespan limited to 7 years, and all Options, including those granted under the Former Plan, are subject to the same performance rule.

The Options granted under the 2009 Plan and the Former Plan will vest, on each vesting date, the whole 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 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 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
	(carried over to 2018)	If less than 0.75%
Year 2016	33 ^{1/3} %	If equal to or greater than 0.75%
	(carried over to 2019)	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	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	33 ^{1/3} % (if tranche carried over from 2016)	If equal to or greater than 0.75%
	(cancellation of 33 ^{1/3} % of the Options) ⁽¹⁾	If less than 0.75%
Year 2020	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.

▪ Performance-Based 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 of the interests of the executive officers and executives with 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 are vested 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 2014 (2011-2014 cycle) and for the cycles that will end in 2015, 2016 and 2017, the financial performance criterion is the average adjusted net earnings that will be achieved for the three-year cycle.

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

For each vested RSU, participants are entitled to receive a cash payment from Transat equivalent to the weighted average trading price of the voting shares on the TSX for the five trading days preceding the ending date of the cycle multiplied by the number of RSUs that have vested during the cycle. The RSU Plan contains change of control provisions that provide for the accelerated vesting of the RSUs in certain circumstances.

For the 2011-2014 cycle, which ended on October 31, 2014, 33% of the RSUs were vested. The average adjusted net earnings realized in the three-year cycle represent 0.83% of the Corporation's revenue. For this cycle, vesting and the performance criterion were as follows:

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%

Average adjusted net earnings realized (2011-2014), expressed as a % of the Corporation's revenue for the year ending October 31	Vesting %
If equal to 1.25%	75%
If equal to or greater than 1.50% (target)	100%

▪ RSUs Awarded during Fiscal Year 2014

During fiscal year 2014, 218,233 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 2017. Of this number, an aggregate of 32,252 RSUs were awarded to Named Executive Officers. The RSUs may vest according to the following parameters:

Average adjusted net earnings realized (2013-2016), 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.

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. On October 29, 2008 and again on October 23, 2013, 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 his/her 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, 2014, an aggregate of 26,043 shares having an approximate aggregate value of \$255,848 had been awarded to the executive officers of the Corporation under the Transaction Plan. Of that number, 1,760 shares vested on January 10, 2014, 8,682 vested on January 10, 2015, 8,680 will vest on January 10, 2016, and 6,921 will vest on January 10, 2017.

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.

Recent amendment to the long-term incentive plans

Following the review of the long-term incentive program in December 2014, the Corporation decided to reduce the number of stock options granted and to introduce a new Performance-Based Share Unit (PSU) Plan.

The following table sets forth, for each Named Executive Officer (as defined on page 52 of this Circular), the new estimated values of each component of the long-term incentive program:

Name	Annual long-term incentive opportunity ⁽¹⁾			
	Option grants	PSU awards	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 PSUs x price per share on date of award ⁽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	75.0%	55.0%	30.0%	0.0%
Denis Pétrin	37.5%	30.0%	15.0%	10.0%
Daniel Godbout	30.0%	25.0%	10.0%	10.0%
André De Montigny	30.0%	25.0%	10.0%	10.0%
Patrice Caradec	30.0%	25.0%	10.0%	-

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

(2) The price per share for the options granted and the RSUs and PSUs 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).

(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.)

▪ *New Performance-Based Share Unit Plan*

On December 10, 2014, the Committee approved the implementation of a Performance-Based Share Unit Plan (the “**PSU Plan**”), which came into force on January 1st, 2015. The purpose of the PSU Plan is to attract, motivate and retain competent people to hold positions as executives and managers of the Corporation and its subsidiaries and to align the interests of the executives and managers with those of the shareholders of the Corporation.

With the implementation of the PSU Plan, the Corporation intends to reduce by approximately 60% the number of options awarded annually to senior executives at levels 1 to 7 and replace them with PSU awards.

Once vested, the PSUs awarded represent the participant's right to receive, on the vesting date and subject to the provisions of the Plan, a number of common shares equivalent to the number of PSUs vested in accordance with the provisions of the PSU Plan or, at the Committee's sole and absolute discretion, a lump-sum payment in cash equal to the fair market value of one common share as at the vesting date, net of all deductions at source, any other withholding tax, GST, QST or any other sales tax applicable, if any.

The PSU Plan has no dilution effect. The PSUs will be settled in shares purchased on the secondary market or in cash, at Transat's discretion, in accordance with the terms and conditions described in the PSU Plan. The PSU Plan does not use currently unissued shares of the Corporation and no currently unissued share of the Corporation is reserved for the purposes of this PSU Plan.

The PSU Plan will be administered by the Committee. The Committee determines the number of PSUs that will be awarded and may amend, suspend or cancel the PSU Plan or the terms and conditions of any PSU awarded under this Plan. The Committee may also establish, at the time of each award, in accordance with the restrictions set out in the PSU Plan, the award date, the vesting date, the financial performance criteria that must be achieved for the purposes of awarding PSUs or vesting part thereof, if applicable, and other special conditions applicable to an award of PSUs under the PSU Plan.

Unless the Committee decides otherwise: a) the PSUs shall expire on the vesting date stipulated therefore if the specified performance objectives have not been achieved, and the participant shall have no right whatsoever regarding such PSUs, the whole in accordance with the conditions of the applicable PSU award agreement; b) when a participant ceases to be a senior executive or an employee of Transat following their voluntary resignation or termination for serious cause, during a vesting period, vesting of PSUs shall cease and all the PSUs awarded but not vested will be cancelled as of the date of termination of employment, without any payment; c) when a participant ceases to be a senior executive or employee of Transat following the participant's long-term disability, retirement, termination of employment without serious cause or death, the PSUs for which vesting is based solely on time, if any, will be prorated and will be deemed vested and payable, while such PSUs not vested will be cancelled and the PSUs that could be vested on the basis of performance in the current fiscal year at the termination date will continue until their vesting date, while such PSUs with a vesting date subsequent to the foregoing vesting date will be cancelled at the date of termination of employment.

In the event of a change of control of Transat, the Board may, to the extent it deems necessary or fair and at its sole and absolute discretion, decide how all the PSUs awarded under the Plan and not yet vested will be treated. The PSUs may not be assigned, encumbered, pledged, transferred or disposed of in any way, other than by a will or according to the rules of inheritance law. Any assignment following the death of the participant must comply with the applicable laws.

Regarding PSUs awarded in January 2015:

- one sixth of the award may vest annually in December 2015, 2016 and 2017, to the extent that the participant is still in Transat's service on the vesting date and the adjusted net earnings per share reaches or exceeds the threshold of \$0.75;
- one half of the award may vest to the extent that the participant remains in Transat's service up to December 2017.

To avoid influencing management's decision regarding the form a distribution to the shareholders could take, the number of shares used in the calculation of the adjusted net earnings per share for the purposes of vesting of the PSUs will be adjusted in the event of a large payment of cash dividends, if any.

- Recent grant of performance-based stock options

On January 14, 2015, the Board approved the grant of stock options with grant agreements containing the following terms and conditions:

- The lifetime of the Options is 7 years;
- The Options granted are all subject to a performance rule similar to that of the 2009 Plan.

Accordingly, on January 14, 2015, a total of 88,692 Options were granted under the 2009 Plan at an exercise price of \$8.73, and a total of 147,755 Options were granted under the Former Plan, for a total of 236,447 Options, representing 0.61% of the total outstanding

voting shares. Of this number, an aggregate of 142,428 Options were granted to the Named Executive Officers, representing 0.37% of the total outstanding voting shares as at January 14, 2015. All Options granted as at January 14, 2015 have a lifespan limited to 7 years, and all Options, including those granted under the Former Plan, are subject to the same performance rule.

The Options granted under the 2009 Stock Option Plan and the Former Plan will vest, on each vesting date, the whole 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 2015	33 ^{1/3} %	If equal to or greater than 0.75%
	(carried over to 2018)	If less than 0.75%
Year 2016	33 ^{1/3} %	If equal to or greater than 0.75%
	(carried over to 2019)	If less than 0.75%
Year 2017	33 ^{1/3} %	If equal to or greater than 0.75%
	(carried over to 2020)	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	33 ^{1/3} % (if tranche carried over from 2016)	If equal to or greater than 0.75%
	(cancellation of 33 ^{1/3} % of the Options) ⁽¹⁾	If less than 0.75%
Year 2020	33 ^{1/3} % (if tranche carried over from 2017)	If equal to or greater than 0.75%
	(cancellation of 33 ^{1/3} % of the Options) ⁽¹⁾	If less than 0.75%
Year 2021	All unexercised vested Options ⁽²⁾	Not applicable

(4) 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%.

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

▪ Recent award of performance-based RSUs

On January 14, 2015, 304,653 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 2018. Of this number, an aggregate of 47,103 RSUs were awarded to Named Executive Officers. These RSUs may vest according to the following parameters:

Average adjusted net earnings realized (2014-2017), 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%

▪ Recent award of PSUs

On January 14, 2015, a total of 178,207 PSUs were awarded. Of this number, an aggregate of 84,695 PSUs were awarded to Named Executive Officers. These PSUs may vest according to the following parameters:

Vesting date	Vesting %	Performance criterion
Mid-December 2015	16 2/3%	EPS of \$0.75 for fiscal 2014-2015
Mid-December 2016	16 2/3%	EPS of \$0.75 for fiscal 2015-2016
Mid-December 2017	16 2/3%	EPS of \$0.75 for fiscal 2016-2017
Mid-December 2017	50%	None

▪ **Financial performance criteria**

For fiscal 2013-2014, the Committee approved the financial performance criteria applicable to each plan:

- ✓ STIP: Adjusted Net Earnings of Transat and Earnings before Interest and Tax of subsidiaries
- ✓ RSUs: Adjusted Net Earnings of Transat
- ✓ Options: Adjusted Net Earnings of Transat

The choice of adjusted net earnings as a performance criterion under the STIP, Option and RSU plans has several objectives:

- Strategic objective: The adjusted net earnings is an objective directly aligned with Transat's principal strategic short and medium term objectives, i.e. improved profitability.
- A clear message to employees: By using an adjusted net earnings objective in our incentive compensation plans, the clear message conveyed to Transat executives and employees is that improved profitability is the priority and will be beneficial for the Corporation, for the shareholders and for themselves. Therefore, the decisions and behaviour of all employees aim towards the same objective.
- Value for shareholders: Improved profitability will be conducive to an increase in Transat's share price and will thus generate greater value for the shareholders.
- Sustained performance: The use of adjusted net earnings for Option vesting and of average adjusted net earnings for RSU vesting is beneficial for long-term profitability, which will ensure Transat's sustainability.
- Lower payroll: No compensation will be paid under these three plans if Transat does not achieve a minimum profit level; the payroll costs are therefore substantially lower when Transat generates low profits.
- Risk management of our compensation programs: The adjusted net earnings objective ensures that the amounts disbursed under these plans are consistent with the Corporation's financial performance.

For the fiscal year 2014-2015, a new performance criterion has been introduced. This is earnings per Share, which will be used to determine the vesting of shares awarded under the new Performance-Based Share Unit (PSU) Plan. This new criterion aims to diversify the performance criteria used in long-term compensation plans and to favour the growth of Transat's absolute net earnings.

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
			RSUS (1)	TRANSACTION (2)					
			(\$)	(\$)					
Jean-Marc Eustache Chairman of the Board of Directors, President and CEO, Transat A.T.	2014	830,563	249,683	0	595,887	477,240	350,984	66,445	2,570,801
	2013	822,000	246,600	0	605,120	909,838	360,534	65,760	3,009,852
	2012	822,000	246,600	0	651,941	0	293,852	65,760	2,080,153
Denis Pétrin Vice-President, Finance and Administration, and CFO, Transat A.T.	2014	339,733	51,168	33,973	122,119	134,812	137,786	30,576	850,167
	2013	330,667	49,920	33,067	122,497	243,904	291,644	29,760	1,101,458
	2012	320,000	48,000	32,000	126,898	0	84,598	32,000	643,496
Daniel Godbout Senior Vice-President, Transport and Yield Management, Transat A. T.	2014	337,007	33,798	33,701	103,707	79,907	141,734	33,701	763,555
	2013	332,163	33,216	33,216	104,797	229,584	149,306	33,216	915,498
	2012	332,163	33,216	33,216	112,904	0	72,899	33,216	617,615
André De Montigny Vice-President, Corporate Development, Transat A.T.	2014	298,073	29,869	29,807	91,653	88,725	77,958	29,807	645,891
	2013	295,000	29,500	29,500	93,072	163,262	111,744	29,500	751,578
	2012	295,000	29,500	29,500	100,273	0	74,089	29,500	557,862
Patrice Caradec (7) President, Transat France S.A.S.	2014	369,096	36,910	0	117,504	176,095	0	72,168	771,773
	2013	326,071	32,607	0	93,538	113,016	0	59,706	624,938
	2012	297,919	29,792	0	101,544	0	0	56,058	485,313

(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. \$12.49 in 2014, \$6.01 in 2013 and \$7.48 in 2012.

(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 “Performance-Based 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:

	2014	2013	2012
Exercise price:	\$12.49	\$6.01	\$7.48
Risk-free rate:	2.72%	1.61%	1.37%
Dividend yield:	–	–	–
Volatility (60 months):	58.60%	54.80%	52.50%
Expected lifetime:	6 years	6 years	6 years
Fair value per option:	\$5.11	\$2.59	\$3.39

(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 year 2014, 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, 2012, 2013 and 2014 respectively, in accordance with generally accepted accounting principles. For Mr. Caradec, these are employer contributions paid by Transat to the different French retirement plans in which he participates.

(6) For Named Executive Officers, this amount represents the value of the perquisites paid under the terms of the perquisites program. For Mr. Caradec, this is the annual cost paid by Transat for the vehicle provided to him (\$9,197) and the value of Transat’s contributions to the various retirement plans in which he participates (\$62,971).

(7) The data for Mr. Caradec is reported in Canadian dollars. However, Mr. Caradec’s salary is denominated in euros and represents 261,270 euros. The exchange rate used for conversion is 1 euro = CDN\$1.4127.

▪ **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 year 2014.

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 award (not paid out or distributed)
	(#)	(\$)		(\$)	(#)	(\$)	(\$)
Jean-Marc Eustache	30,215	22.34	May 11, 2015	0	61,023	533,951	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	244,238			
	233,637	6.01	January 9, 2023	640,165			
	116,612	12.49	January 8, 2024	0			
Denis Pétrin	1,310	22.34	May 11, 2015	0	20,249	177,179	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	47,540			
	47,296	6.01	January 9, 2023	129,591			
	23,898	12.49	January 8, 2024	0			
Daniel Godbout	6,043	22.34	May 11, 2015	0	16,130	141,138	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	42,297			
	40,462	6.01	January 9, 2023	110,866			
	20,295	12.49	January 8, 2024	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 award (not paid out or distributed)
	(#)	(\$)		(\$)	(#)	(\$)	(\$)
André De Montigny	5,144	22.34	May 11, 2015	0	14,302	125,143	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			
	7,052	19.24	January 12, 2021	0			
	19,719	7.48	January 11, 2022	25,043			
	35,435	6.01	January 9, 2023	97,092			
	17,936	12.49	January 8, 2024	0			
Patrice Caradec	1,989	22.34	May 11, 2015	0	8,000	70,000	0
	1,903	22.66	May 3, 2016	0			
	2,140	37.25	May 2, 2017	0			
	4,494	21.36	April 21, 2018	0			
	20,977	11.22	May 6, 2019	0			
	32,054	12.25	May 5, 2020	0			
	7,682	19.24	January 12, 2021	0			
	29,954	7.48	January 11, 2022	38,042			
	36,115	6.01	January 9, 2023	98,955			
	22,995	12.49	January 8, 2024	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, 2014, i.e. \$8.75, 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, 2014, i.e. \$8.75.

▪ 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	1,092,288	97,214	477,240
Denis Pétrin	229,461	78,675	134,812
Daniel Godbout	209,735	75,802	79,907

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⁾ (\$)
André De Montigny	184,044	66,248	88,725
Patrice Caradec	169,211	11,777	176,095

(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 2011-2014 cycle, which have vested on January 14, 2015, corresponds to the number of vested units, multiplied by the weighted value of the Transat share as at January 14, 2015, i.e. \$8.73.

(3) Represents the amount paid for fiscal year 2014 under the Short-term incentive program (STIP).

7.7 Benefits Under a Retirement Plan

The following table indicates, for each of the Named Executive Officers, the eligible years of service and estimated annual retirement benefits payable at age 65 accrued as at October 31, 2014 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, 2013 to October 31, 2014, including the annual cost attributable to compensatory items for fiscal year 2014. 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, 2014, 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, 2013 ⁽³⁾	Change in the accrued benefit obligation during the fiscal year		Accrued benefit obligation as at October 31, 2014
		As at October 31, 2014	At age 65		Change attributable to compensatory items ⁽⁴⁾	Change attributable to non-compensatory items ⁽⁵⁾	
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Jean-Marc Eustache	35.78	1,003,263	n/a	10,937,000	340,000	1,800,000	13,077,000
Denis Pétrin	5.00	44,830	233,576	460,000	131,000	72,000	663,000
Daniel Godbout	27.19	258,764	403,548	3,146,000	135,000	334,000	3,615,000
André De Montigny	14.27	92,944	132,962	919,000	72,000	199,000	1,190,000
Patrice Caradec ⁽⁶⁾	-	-	-	-	-	-	-

(1) Number of credited years of service in a position eligible to the senior executives' retirement plan as at October 31, 2014 or before that date following termination of employment or retirement in 2014.

(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 Québec Pension Plan. There is no data for Mr. Eustache because he is over age 65.

(3) Represents the value of the projected pension earned for service up to October 31, 2012 or October 31, 2013 (depending on the column), accounting for the benefits of the pension plan and the Québec 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.

(6) Because he is a resident of France, Mr. Caradec does not participate in the defined benefit plan for executive officers. The Corporation's contribution to Mr. Caradec's retirement plan appears in the "All Other compensation" column of the Summary Compensation Table.

▪ Defined Contribution Plan Table

The following table sets forth the changes in the sums accumulated in the defined contribution plan between November 1, 2013 and October 31, 2014, including the Corporation's contributions for fiscal year 2014.

Name of the officer	Accumulated value as at November 1, 2013 (\$)	Compensatory amount ⁽¹⁾ (\$)	Accumulated value at the end of FY 2014 (\$)
Jean-Marc Eustache	548,412	10,984	599,102
Denis Pétrin	362,131	6,786	402,333
Daniel Godbout	308,976	6,734	347,914
André De Montigny	181,334	5,958	207,100
Patrice Caradec ⁽²⁾	-	-	-

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

(2) Because he is a resident of France, Mr. Caradec does not participate in the defined contribution plan for executive officers (group RRSP). The Corporation's contribution to Mr. Caradec's retirement plan appears in the "All Other compensation" column of the Summary Compensation Table.

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 severance period is 8 months for Mr. Caradec.

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.

Executive officer	Involuntary departure termination allowance	Change of control termination allowance
Jean-Marc Eustache	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.
Denis Pétrin, Daniel Godbout and André De Montigny	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.	18 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.
Patrice Caradec	24 months of base salary	24 months of base salary

Other terms:

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

Type of termination	Stock options	Restricted share units (RSUs) and deferred share units (DSUs)	Share purchase plan	Retirement plan ⁽¹⁾	Employee and other benefits
Change of control	Any Option granted and not vested may be exercised, or the Board of Directors of the Corporation may force the exercise of any option, whether vested or not, according to the terms and conditions prescribed by the Board.	RSUs: All the RSUs granted and not vested vest on the date of change of control ⁽²⁾ . DSUs: All the DSUs in the participant's account on the date of the change of control are redeemable on that date.	All the subscribed shares, unrestricted or not, and all the shares awarded automatically vest on the date of a change of control of the Corporation.	A change of control does not result in any additional retirement benefits or trigger the accelerated payment of benefits.	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, 2013 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, 2014*

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 (involuntary 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 plan
Jean-Marc Eustache	\$3,641,203	n/a	\$131,762	n/a	n/a
Denis Pétrin	\$741,936		\$26,734		
Daniel Godbout	\$735,098		\$17,764		
André De Montigny	\$616,042		\$15,764		
Patrice Caradec	\$738,192		\$16,624		

(1) Represents the amount calculated based on the price per share on October 31, 2014; RSUs: 2012-2015 and 2013-2016 cycles only, RSUs for the 2011-2014 cycle having vested normally on October 31, 2014. 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, 2014*

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 plan
Jean-Marc Eustache	\$4,369,444	\$589,602	\$533,951	\$0	n/a
Denis Pétrin	\$989,248	\$118,088	\$108,535	\$68,644	n/a
Daniel Godbout	\$980,130	\$102,109	\$72,039	\$69,099	n/a
André De Montigny	\$821,389	\$76,793	\$63,884	\$61,259	n/a
Patrice Caradec	\$738,192	\$91,332	\$70,000	\$0	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, 2014.

(2) The value indicated represents all RSUs at the price per share on October 31, 2014, which would all vest in the event of a change of control as defined in the plan. RSUs for two cycles only (2011-2014 and 2012-2015) would be paid out, RSUs for the 2010-2013 cycle having vested on October 31, 2014. There are no additional or accelerated benefits for DSUs.

7.9 Minimum Shareholding Requirement 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, 2014	Total value held as at October 31, 2014 ⁽¹⁾	Compliance with requirement as at October 31, 2014
Jean-Marc Eustache	3 times the annual salary	\$2,496,825	412,097	\$4,130,209	Yes
Denis Pétrin	1.5 times the annual salary	\$511,680	34,964 ⁽³⁾	\$305,939	In progress ⁽²⁾
Daniel Godbout	1.0 times the annual salary	\$337,976	88,046	\$822,096	Yes
André De Montigny	1.0 times the annual salary	\$298,687	63,287	\$553,761	Yes
Patrice Caradec	1.0 times the annual salary	\$368,025	0	0	In progress ⁽²⁾

(1) This is the higher of (i) the cost of acquiring the shares and DSUs for the executive officer and (ii) the market value of the shares and UADs held on October 31, 2014.

(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.

(3) As at January 10, 2015, Mr. Pétrin held 40,519 shares for a total value of \$354,541.

7.10 Clawback

Each senior executive signed a clawback clause concerning the amounts disbursed under the variable compensation plans. Under this clause, the Corporation may claw back the amounts disbursed, within a three-year period:

If it is proven that the factual or financial data on the basis of which such additional compensation was granted came from information which was falsified or erroneous at the source due to the executive's intentional fault(s) or direct or contributory negligence;

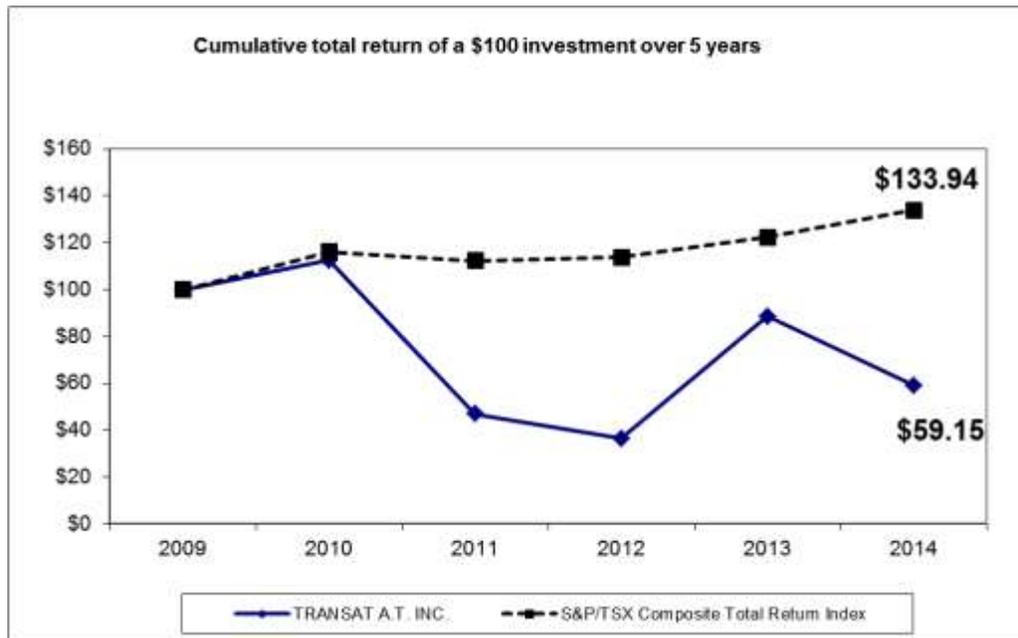
or

If the Corporation had to review and reissue amended financial statements (other than a review caused by a change in the applicable rules or accounting interpretations) and the calculation of the additional compensation paid to the executive according to these amended financial statements would have resulted in an amount lower than the amount granted to the executive.

7.11 Performance Graphs

- Graph 1

The following performance graph indicates the cumulative total return over five years, assuming a \$100 investment made on October 31, 2009 in voting shares of the Corporation (assuming reinvestment of the dividends) and in the S&P/TSX Composite Total Return Index.



Fiscal year	2009-10-31	2010-10-31	2011-10-31	2012-10-31	2013-10-31	2014-10-31
TRANSAT A.T. INC.	\$100.00	\$112.45	\$46.97	\$36.45	\$88.51	\$59.15
S&P/TSX Composite Total Return Index	\$100.00	\$116.18	\$112.29	\$113.86	\$122.46	\$133.94

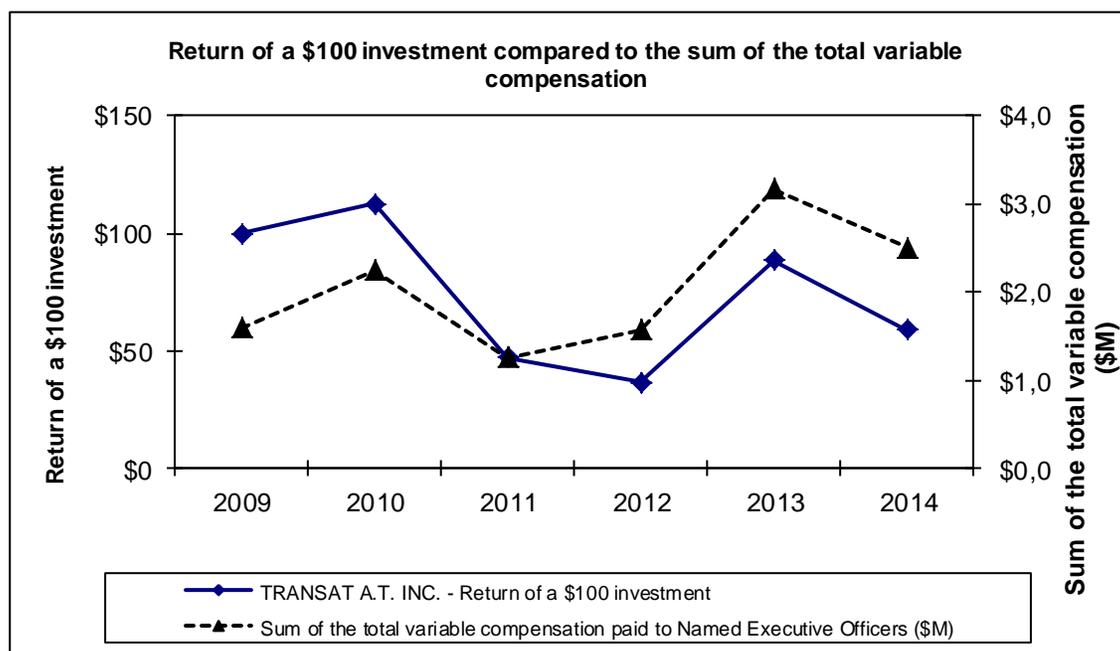
\$100 investment made on October 31, 2009 (assuming reinvestment of dividends)

- 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, 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, 2009 in voting shares of Transat. This graph shows that when the value of the return on the voting shares of Transat decreases, as in 2011 and 2014, 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 2010 and 2013, 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. 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.



Fiscal year	2009-10-31	2010-10-31	2011-10-31	2012-10-31	2013-10-31	2014-10-31
TRANSAT A.T. INC. - Return of a \$100 investment	\$100.00	\$112.45	\$46.97	\$36.45	\$88.51	\$59.15
Sum of the total variable compensation paid to Named Executive Officers (\$M)	\$1.591	\$2.248	\$1.258	\$1.575	\$3.166	\$2.503

\$100 investment made on October 31, 2009 (assuming reinvestment of dividends)

7.12 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 candidates promoted in 2013 following the departure of Mr. Allen B. Graham, i.e. Mr. Jean-François Lemay, General Manager of Air Transat, and Mr. Joseph Adamo, General Manager for Transat Distribution Canada, favoured the promotion of other successors internally, including Mr. Christophe Hennebelle, who was promoted to Vice-President, Human Resources and Talent Management, in 2014. In addition, Annick Guérard has continued to perform her duties as General Manager of Transat Tours Canada since December 2012. These promotions are consistent with the above logic and contribute to senior management depth while strengthening the knowledge of Transat’s business model.

In the perspective of an unexpected event, the process to find a successor to Mr. Jean-Marc Eustache, President and Chief Executive Officer, would begin immediately, with the position filled internally on an interim basis if necessary. However, in the normal course of things, the succession planning process should make it possible, over the next few years, to identify, internally or externally, Mr. Eustache's successor when he is ready 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. This approach allows it to manage risk and is a guarantee of greater stability in managing the challenges of our business environment. In short, 7% of Transat's senior executives and middle managers were promoted internally during the past year.

7.13 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, 2014 (a)	Weighted average exercise price of outstanding options, warrants and rights as at October 31, 2014 (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) as at October 31, 2014 (c)
Equity compensation plans approved by security holders ⁽¹⁾	2,654,817	\$12.39	359,376
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	2,654,817	\$12.39	359,376

(1) As at October 31, 2014, a total of 260,337 voting shares were available for future issuance under the Former Stock Option Plan and a total of 99,039 voting shares were available for future issuance under the 2009 Stock Option Plan.

7.14 Description of the Stock Option Plan

For a description of the 2009 Stock Option Plan, please refer to Section 7 "Executive Compensation Discussion and Analysis" of this Circular under "Performance-Based Stock Option Plans – The 2009 Stock Option Plan" and to Schedule C to this Circular.

At the Meeting, the shareholders will be asked to consider and, if deemed advisable, approve the Resolution ratifying the amendments to the 2009 Stock Option Plan in order to ratify the amendments described in Section 5 "2009 Stock Option Plan" of this Circular. For more details on the amendments to the 2009 Stock Option Plan, please refer to Section 5 "2009 Stock Option Plan" of this Circular.

- **The Former Plan**

For more details on the Former Plan, please refer to Section 7 "Executive Compensation Discussion and Analysis" of this Circular under "Performance-Based Stock Option Plans – The Former Plan".

- **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 granted 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, General Counsel and Corporate 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.

▪ **Status of Outstanding Options**

	2009 Plan	Former Plan (1995)	Total as of October 31, 2014	Total as of January 19, 2015
Total number of Options granted	262,469	111,905	373,623	236,447
<i>Including Options granted to the Named Executive Officers</i>	178,597	22,740	201,337	142,428
Options granted as % of the outstanding voting shares	0.68% ⁽¹⁾	0,29% ⁽¹⁾	0.97% ⁽¹⁾	0.61% ⁽¹⁾
Total number of outstanding Options	1,753,630	901,187	2,654,817	2,885,674
Outstanding Options as % of the total outstanding voting shares	4.5%	2.3%	6.8%	7.4%
Balance available for future grants	99,039	260,337	359,376	128,519

(1) The total number of outstanding shares as at October 31, 2014 is 38,741,527.

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

On the recommendation of the Human Resources and Compensation Committee, our Board of Directors proposes the adoption of the non-binding advisory resolution regarding the Corporation's approach to executive compensation, reproduced in Schedule D to this Circular.

Unless instructed otherwise by the shareholder, the voting rights attached to the shares represented by the attached management proxy form will be voted FOR the approval of the non-binding advisory resolution regarding the Corporation's approach to executive compensation.

9. SHAREHOLDER PROPOSALS

Schedule E attached hereto contains the full text of the four proposals and supporting arguments submitted by a shareholder of the Corporation. This Schedule also sets out the full details of the Corporation's position with regards to the four proposals, as well as voting recommendations. Moreover, the proposals regarding any matter that the persons entitled to vote at the 2016 annual meeting of shareholders wish to submit to that meeting must be received by the Corporation no later than October 23, 2015.

10. 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), W. Brian Edwards and Jean Pierre Delisle. It should be noted that Mr. Jean-Marc Eustache attends the meetings of the Committee upon invitation.

10.1 Corporate Governance Initiatives

The Committee is made up of three 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 Schedule A of this Circular) and ensure transparency and effective governance of the Corporation.

Pursuant to its mandate, the Committee reviews on a continuous basis a number of emergency measures and measures related to the Corporation's operations. In December 2014, the Committee identified a list of sixty-two (62) risks and classified them according to their impact, while establishing risk assessment criteria. For example, the risks are those related to management of information systems, tour operators, airline and aircraft activities, third-party hotels where Transat books rooms for travellers, exchange rate and fuel price hedging, insurance coverage and the financial approval processes. Risk management is shared among the Corporation's executive officers to eliminate compartmentalized risk management. They are called on to present these risks to the directors of the Corporation every year. In this regard, risk management presentations were given in March 2014 regarding human resources and legal matters; risk management presentations in June 2014 dealt with competition, product profitability and sales, as well as fraud and the measures to be taken; and a financial risk review was presented in September 2014. It is estimated that this approach will allow further development of a risk management culture within the Corporation.

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 12, 2012, the Corporation adopted a policy to the effect that a director becomes ineligible when he or she reaches retirement age, which is set at seventy-five (75) years, as stated in paragraph 1.1.7 of the Corporate Governance Manual, with the aim of adding an age limit to the eligibility criteria for the directors of the Corporation. 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.

Eight (8) of the eleven (11) directors seeking election or re-election to the Board are independent directors. The three non-independent directors are the founding members of the Corporation, including Mr. Eustache who chairs the Board, and Ms. Lina De Cesare and Mr. Philippe Sureau, who are no longer executive officers of the Corporation since 2009. 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.

10.2 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 are described in more detail in the Committee's charter, which is reviewed every two (2) years and is also filed with SEDAR at www.sedar.com.

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.

DIRECTORS' COMPETENCIES																				
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	Risk management	Corporate governance	Finance / Accounting	Board service for public companies	Human resources	Marketing / Sales	Operations	International	Business development / Mergers-acquisitions
Raymond Bachand	√		√				√	√	√	√	√	√	√	√		√	√	√	√	√
Louis-Marie Beaulieu				√			√		√	√	√	√	√		√		√	√	√	√
Lina De Cesare			√	√	√			√	√	√	√						√	√		√
Jean Pierre Delisle	√						√			√	√	√	√	√						√
W. Brian Edwards		√				√	√		√	√	√	√		√	√		√			√
Jean-Marc Eustache			√	√				√	√	√	√	√		√			√	√	√	√
Susan Kudzman	√	√					√		√		√	√	√	√	√			√	√	√
Jean-Yves Leblanc				√				√	√	√	√	√	√	√	√	√	√	√	√	√
Tony Mignacca						√	√	√		√	√		√	√		√	√			√
Jacques Simoneau	√	√		√		√		√		√	√	√	√	√	√	√	√	√	√	√
Philippe Sureau		√	√	√	√		√			√	√	√					√	√	√	√

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.

10.3 Performance Assessment

During the months of January and February 2015, the Committee, with the assistance of PCI-Perrault Consulting Inc., is conducting an annual formal evaluation of the Board and its committees' effectiveness and will compare the findings with last year's evaluation in order to target and implement suggested improvements as in previous years. Furthermore, during the same period, each director is 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.

	Evaluator				
	Chair of the Board	Lead Director	Chair of the Corporate Governance and Nominating Committee	Each director	Human Resources and Compensation Committee
Performance of the Board	√	√	√	√	
Performance of the Committees				Committee members	
Performance of the Chairman of the Board, President and Chief Executive Officer				√	√
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.

10.4 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
Raymond Bachand	✓		
Louis-Marie Beaulieu	✓		
Lina De Cesare		✓	Retired executive officer
Jean Pierre Delisle	✓		
W. Brian Edwards	✓		
Jean-Marc Eustache		✓	Executive officer
Susan Kudzman	✓		
Jean-Yves Leblanc	✓		
Tony Mignacca	✓		
Jacques Simoneau	✓		
Philippe Sureau		✓	Retired executive officer

10.5 Orientation and Continuing Education

The Corporation has in place an orientation program for new directors. New directors are invited to attend orientation sessions with members of senior management to improve their understanding of the Corporation's business. Each new director is also asked to review the Corporate Governance Manual, the Charter of the Board, the Charter of each committee and the position descriptions of the President and CEO, the Chairman of the Board, the Lead Director and the Chair of each committee in order to fully grasp the role he or she is expected to play as a director and a committee member. Extensive documentation on the Corporation is also provided to the directors in order to enable them to better understand the Corporation and their role and responsibilities. As part of its mandate, the Corporate Governance and Nominating Committee is also responsible for providing a continuous education program for members of the Board. This program provides directors with opportunities to develop skills that are essential to the directorship at Transat and to ensure that they are up to date in their awareness of company and industry issues and their duties and responsibilities as directors. Training sessions facilitated by internal legal and financial advisors, representatives of financial organizations and recognized external legal advisors on specialized and complex topics related to the Corporation's activities are also provided to directors to ensure that their knowledge and understanding of the Corporation's business remains current. Occasionally, a presentation on recent trends in corporate governance is delivered to the members of the Board. The Corporation provides directors with regular reports on its operations and finances. Management periodically briefs the Board with up-to-date industry studies and benchmarking information.

On March 12, 2014, the members of the Corporate Governance and Nominating Committee approved an orientation and training program for new directors, allowing them to meet certain executive officers individually for initiation and training sessions on the corporate activities of the Corporation and its main subsidiaries. In this context, on April 17 and June 3, 2014, Ms. Susan Kudzman and Messrs. Raymond Bachand and Tony Mignacca had the opportunity to meet the unit heads and receive a presentation from each of them on the activities of their respective business units. Specifically, they met Mr. Patrice Caradec, President and General Manager of Transat France, Mr. Jean-François Lemay, General Manager of Air Transat and Vice-President, Human Resources and Talent Management, of the Corporation on those dates, Ms. Annick Guérard, General Manager of Transat Tours Canada, Mr. Joseph Adamo, General Manager of Transat Distribution Canada, Mr. Michel Bellefeuille, Vice-President and Chief Information Officer of the Corporation, Mr. André De Montigny, Vice-President, Business Development of the Corporation, Mr. Denis Pétrin, Vice-President, Finance and Administration and Chief Financial Officer of the Corporation, Mr. Michel Lemay, Vice-President, Communications and Corporate Affairs and Chief Brand Officer of the Corporation, and Mr. Bernard Bussièrès, Vice-President, General Counsel and Corporate Secretary of the Corporation.

Since July 2014, the Corporation has been a member of the Institute of Corporate Directors (“ICD”). This allows the directors to attend all ICD events and discuss matters of current interest. The ICD is a not-for-profit professional association representing member Canadian directors and boards operating in the for-profit, not-for-profit and government sectors and promoting directors’ professionalism and efficiency by making professional development tools available to them, particularly formal education programs, continuing education activities, certification processes, including the process leading to the ICD.D. designation, information and resources, and networking opportunities. The ICD offers a wide range of tools, resources and services to its members from public and private companies, not-for-profit organizations and Crown corporations, which allow them to become better directors and contribute to the creation of high-calibre boards.

- The following table provides details on certain director training initiatives undertaken in 2014:

Director continuing education 2014		
Topic	Presentation by	Directors attending
Transat’s core business systems	Transat A.T. Inc.	All directors
The customer	Transat A.T. Inc.	All directors
E-commerce presentation (key performance Indicators and update on initiatives)	Transat A.T. Inc.	All directors
Technological challenges: cybersecurity, new technologies and big data	Institute of Corporate Directors	Training available for all directors on a voluntary basis
Undertake and implement a technological shift successfully	Institute of Corporate Directors	Training available for all directors on a voluntary basis

10.6 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 every two years 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
Jean Pierre Delisle	■	■		
W. Brian Edwards		■	■	(Chair)
Jean-Marc Eustache			(Chair)	
Susan Kudzman				■
Jean-Yves Leblanc*	(Chair)		■	■
Jacques Simoneau	■	(Chair)	■	

* Lead Director

For information pertaining to the Audit Committee, please refer to sections 14.2 to 14.6 of the Corporation’s Annual Information Form for the year ended October 31, 2014, available on SEDAR at www.sedar.com.

10.7 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, conference calls and meetings with analysts, 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.

11. ADDITIONAL DISCLOSURE

11.1 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.

11.2 Professional Services Agreements

The Corporation entered into professional services agreements with Lina De Cesare and Philippe Sureau, who both act as consultants to the Corporation. Each of these agreements is valid from November 1, 2014 to October 31, 2015, 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. 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. Each agreement includes a confidentiality and non-solicitation undertaking. During the year ended October 31, 2014, the total fees paid amounted to approximately \$7,080 for Lina De Cesare and \$3,125 for Philippe Sureau. These professional services agreements are filed and available on the SEDAR website at www.sedar.com.

11.3 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, 2015, 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 \$410,495.

11.4 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.

11.5 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 19, 2015.

BY ORDER OF THE BOARD OF DIRECTORS

TRANSAT A.T. INC.



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

SCHEDULE 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.

Requirements	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 judgment 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, 2014, the Board of Directors is composed of eleven (11) directors, of whom eight (8) are independent, namely Raymond Bachand, Louis-Marie Beaulieu, Jean Pierre Delisle, W. Brian Edwards, Susan Kudzman, Jean-Yves Leblanc, Tony Mignacca and Jacques Simoneau. For the year ending October 31, 2015, if they are all reelected, the Board will still be composed of eleven (11) directors, including the same eight (8) independent directors mentioned above.</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, consultant to the Corporation, and (iii) Philippe Sureau, consultant to the Corporation. Each of these directors is considered to have a material relation with the Corporation due to the executive officer position they have held in the Corporation and the role that each of them has played as founder.</p> <p>The majority of Transat’s directors, eight (8) out of eleven (11), are independent directors and the majority of the directors for the year ending October 31, 2015, i.e. eight (8) out of the eleven (11), will be 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>

Requirements	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 <i>in camera</i> 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, 2013 to October 31, 2014, the Board has held eight (8) meetings, each having an agenda which specifically provided for an in-camera session. In addition to these meetings, independent directors held four (4) <i>in camera</i> sessions since November 1, 2013, including the session referred to under paragraph f) hereinafter regarding the assessment of the Chairman, President and Chief Executive Officer, which the non-independent directors (Messrs. Eustache and Sureau and Ms. De Cesare) and the management did not attend.</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 and ratified by the shareholders on March, 14, 2013, the Lead Director may also call a Board meeting on his own initiative.</p> <p>As well, <i>in camera</i> sessions are provided for at each regularly scheduled Board meeting and are always held in the absence of non-independent directors (see paragraph e) above). Each year, members of the Human Resources and Compensation Committee assess, <i>in camera</i>, 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, <i>in camera</i>, at the Board level and further discussed among board members. Every year, each director also assesses the Lead Director's performance. A report is then presented to the Board, <i>in camera</i>, and is discussed by the 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>

Requirements	Implementation by the Corporation
	<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 every two years to ensure they reflect best practices and are in compliance with any applicable regulatory requirements. The Audit Committee charter is also available in Schedule 1 to the Corporation's Annual Information Form.</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, the Lead Director and each Committee chair. These are included in the Corporate Governance Manual, which was updated in September 2013 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 Corporate 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. This program is set out in the Corporate 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. This Charter, the full text of which can be promptly provided upon written request and is also available on SEDAR at www.sedar.com, was updated on September 11, 2013.</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 (see paragraph 10.5 of this Circular).</p> <p>Certain of our directors are either members of organizations dedicated to the evolution of corporate governance practices or regularly attend seminars on such matters.</p>

Requirements	Implementation by the Corporation
<p>5. Ethical Business Conduct</p> <p>a) Disclose whether or not the Board has adopted a written code for the directors, officers and employees. If the Board has adopted a written code:</p> <p>i) disclose how a person or company may obtain a copy of the code;</p> <p>ii) describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and</p> <p>iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</p> <p>b) Describe any steps the Board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.</p> <p>c) Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.</p>	<p>Directors are expected to comply with our Charter of Expectations for Directors in order to promote best practices and ensure ethical business conduct. This Charter, which was updated on September 11, 2013, 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 Corporate Governance Manual states clearly the parameters for the disclosure and management of potential conflicts of interest, guidelines to which the directors are currently subject.</p> <p>As well, our directors, officers and employees are subject to the provisions of our Code of Ethics, which was adopted in 2003 and updated in 2005 and 2010, is made available to every employee of Transat and is posted on the Corporation's website. The Code of Ethics provides a framework for directors, officers and employees on the conduct and ethical decision-making integral to their work; it has been implemented throughout Transat and most of its subsidiaries.</p> <p>The Board, through its Corporate Governance and Nominating Committee, reviews the implementation and compliance of the Code of Ethics throughout the Corporation and its subsidiaries. In this respect, the Corporate Governance and Nominating Committee receives from our Vice-President, General Counsel and Corporate Secretary, and from our internal auditor, on a quarterly basis, a written declaration as to any complaints received during the said quarter pursuant to our Code of Ethics. The Corporation requires its directors, officers and employees to acknowledge that they have read the Code and agree to comply with it.</p> <p>There has been no material change report filed since the beginning of our most recently completed financial year that pertains to any conduct of a director or executive officer of Transat that constitutes a departure from the Charter of Expectations or the Code of Ethics.</p> <p>Our Code of Ethics states clearly that directors and executive officers should avoid any transaction or event that could potentially create a conflict of interest. Should an event or a transaction occur in respect of which a director or executive officer has a material interest, full disclosure to the Board is required and such director must abstain from voting on any such matter.</p> <p>Transat's Code of Ethics, Charter of Expectations for Directors, best governance practices (included in its Corporate Governance Manual) together with statements included in the Board and Committee charters encourage and promote an overall culture of ethical business conduct. The Board's ongoing review of and adherence to these measures and principles also encourages an ethical business conduct throughout the Corporation.</p> <p>In addition, both the annual Board evaluation questionnaire and the peer feedback survey contain specific questions pertaining to ethical business conduct.</p>

Requirements	Implementation by the Corporation
<p>6. Nomination of Directors</p> <p>a) Describe the process by which the Board identifies new candidates for Board nomination.</p> <p>b) If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.</p> <p>c) 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>The Corporate Governance and Nominating Committee and, in particular, the Nominations Committee are responsible for identifying and recommending to the Board suitable nominees for election to the Board.</p> <p>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 and is available on SEDAR at www.sedar.com.</p> <p>Individual directors, through the committees, may engage outside advisors at the expense of the Corporation. The Corporate Governance and Nominating Committee coordinates such requests.</p> <p>Since 2006, the services of PCI-Perrault Consulting Inc., a recognized independent external consultant, were retained to assist the Board and the Human Resources and Compensation Committee in fulfilling their respective duties and responsibilities. This firm was engaged to provide advice and guidance on executive compensation issues. This included conducting a comprehensive review of executive and senior management compensation relative to market</p>

Requirements	Implementation by the Corporation
	<p>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>

SCHEDULE B –
SHARE PURCHASE PLAN
FOR THE BENEFIT OF ALL EMPLOYEES OR EXECUTIVES, AMENDED AND UPDATED JANUARY 1ST, 2015



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SHARE PURCHASE PLAN (SPP) AMENDED AND UPDATED JANUARY 1st, 2015
FOR THE BENEFIT OF ALL EMPLOYEES OR EXECUTIVES OF
TRANSAT A.T. INC.

1. INTERPRETATION

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

- 1.1 “Board of Directors” means the Board of Directors of Transat A.T. Inc.;
- 1.2 “Committee” means the Human Resources and Compensation Committee of the Board of Directors;
- 1.3 “Company” means Transat A.T. Inc. and any Canadian subsidiary in which it holds, directly or indirectly, more than 50% of the issued share capital entailing the right to vote in all circumstances;
- 1.4 “Employee or Executive” means all the regular Employees or Executives domiciled in Canada and holding a permanent position with Transat;
- 1.5 “Enrolment Period” means the period between November 1 and no later than December 31 of each calendar year;
- 1.6 “Member” means any Employee or Executive who will have been designated as eligible for the Share Purchase Plan in accordance with subsection 3.1 and who will have subscribed for Shares of the Company in accordance with subsections 3.2 and 5.2 hereof;
- 1.7 “Salary” means the base annual salary of the Employee or Executive, excluding commissions, bonuses, overtime pay, travel expenses and any special payment for extraordinary services;
- 1.8 “Share Purchase Plan” means the Employee and Executive Common Share Purchase Plan of Transat, hereinbefore and hereinafter also called the “Share Purchase Plan for the Benefit of All Employees or Executives” or the “SPP”, such as it may be amended from time to time;
- 1.9 “Shares or Voting Shares” means the Shares of Transat A.T. Inc., currently listed as “TRZ.B” on the Toronto Stock Exchange, including any fraction of a Share, subscribed and then held by the Trustee on behalf of each Member under this Share Purchase Plan;
- 1.10 “Share Subscription” means the issuance of shares by the company to a member and deducted from a Member’s payroll;
- 1.11 “Termination” means that the Employee or Executive has permanently left the Company’s employ and does not include permanent layoff, rotating or voluntary layoff, or temporary layoff;
- 1.12 “Transat” means Transat A.T. Inc.;
- 1.13 “Trustee” means any financial institution or corporation which may be appointed by Transat from time to time under this Share Purchase Plan.

2. “SPP” STRUCTURE

2.1 “SPP” Effective Date and Duration

The Share Purchase Plan, as amended herein, amends and updates, effective January 1st, 2015, the Share Purchase Plan which came into force on January 12, 1989, as amended thereafter.

2.2 Description of Shares Issuable/Subscribed under the “SPP”

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

The maximum number of Shares issuable starting December 10, 2014, under this Share Purchase Plan, including the related plans, in particular Transcapital and Transaction, is 621,875, subject to any adjustment under subsection 5.6.

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

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

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

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

3. “SPP” ELIGIBILITY AND MEMBERSHIP

3.1 Eligibility

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

3.2 Membership

Membership in the Share Purchase Plan is completely optional and begins on January 1st of the calendar year following the Member’s enrolment to the Plan.

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

A Member may terminate his membership to the Plan at all times, by completing a termination the Membership termination form. Following his termination to the Plan, the employee will not be able to reenroll to the Plan until the next enrollment period.

3.3 Not to be Likened to a Contract of Employment

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

4. "SPP" RESPONSIBILITY AND MANAGEMENT

4.1 Responsibility

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

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

4.1.3 Approval by a majority of the voting shareholders present at a duly called shareholder meeting is required for (i) any increase to the number of Shares issuable under the Share Purchase Plan, other than for standard anti-dilution purposes, (ii) any increase in the discount percentage or (iii) amendment to Transat contribution under this Plan.

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

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

4.2 Management

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

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

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

5. “SPP” PRINCIPLES AND OPERATION

5.1 Principle

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

5.2 Share Subscription Mechanisms

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

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

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

5.3 Restriction Mechanisms

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

5.4 Issue of the Subscribed Shares

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

5.5 Shareholders' Rights

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

5.6 Change in the Share Capital

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

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

6.1 Termination

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

6.2 Retirement, Death or Permanent Disability

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

6.3 Change of Control

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

6.4 Payroll Deductions Not Yet Used for Subscription of Shares

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

7. GENERAL PROVISIONS

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

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

SCHEDULE « A » (TO SPP)

CHANGE OF CONTROL

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

- (a) if a person, proceeding by takeover bid in accordance with the applicable provisions of the *Securities Act* (Quebec), becomes the beneficial owner, directly or indirectly, of a certain number of securities of the Company conferring 20% or more of the voting rights for the election of the Company's directors;
- (b) if a person, proceeding by stock market trading, by over-the-counter sale, or in any other manner whatsoever, becomes the beneficial owner, directly or indirectly, of a certain number securities of the Company conferring 20% or more of the voting rights for the election of the Company's directors; however, the acquisition of securities by the Company itself, by one of its subsidiaries or affiliates, or by an employee benefit plan of the Company or one of its subsidiaries or affiliates (or by the Trustee of such a plan), or by a company or other legal entity of which, after acquisition, almost all of the voting securities are beneficially owned, directly or indirectly, by the persons who, prior to acquisition, were the owners of the securities of the Company which were acquired by the said company or other legal entity, in proportions substantially similar to those of their previous holding of the securities of the Company, shall not constitute a takeover;
- (c) if the individuals constituting the Board of Directors of the Company on March 13, 2014, and any new directors whose appointment by the Board of Directors or candidacy for election by the Company's shareholders has been ratified by a vote of not less than three quarters of the directors then in office and who were in office on March 13, 2014, or whose appointment or candidacy for election by the Company's shareholders was ratified in the same manner thereafter, cease for any reason to constitute a majority of the members of the Board of Directors;
- (d) if assets of the Company representing 50% or more of the book value of all assets of the Company as at the date of the last audited financial statements of the Company, are sold, liquidated or otherwise assigned; if a majority of the voting securities for the election of the directors of Air Transat A.T. Inc. or Transat Tours Canada Inc. are sold or assigned, or if all or virtually all of the assets of Air Transat A.T. Inc. or Transat Tours Canada Inc. are sold or assigned; or
- (e) if assets of the Company representing 10% or more of the book value of all of the Company's assets, or if securities allowing the exercise of 10% or more of all of the voting rights for the election of the Company's directors have been transferred following a takeover, a seizure or a dispossession resulting from or related to: i) nationalization, expropriation, confiscation, coercion, force or compulsion or any other similar action, or to; ii) a confiscatory tax or assessment or any other confiscatory charge or levy. For the purposes of this paragraph, the book value of the Company's assets shall be established according to the most recent audited financial statements of the Company as at the date of the transfer.

SCHEDULE C

2009 STOCK OPTION PLAN

1. PURPOSE OF THE PLAN

The 2009 Stock Option Plan (the "Plan") of Transat A.T. Inc. ("Transat" or the "Corporation") aims to attract, retain and motivate its officers and employees by means of options to purchase additional Class A Variable Voting Shares or Class B Voting Shares of the share capital of the Corporation (the "Shares") and allows the holder of an option to purchase one Share for each option held.

2. ELIGIBILITY

- 2.1 Options to purchase Shares may only be granted to officers and employees of the Corporation and of any of its subsidiaries in which it holds at least 50% of the voting share capital (the "Designated Subsidiaries").
- 2.2 The Board of Directors of the Corporation or, as the case may be, its Executive Committee, shall determine from time to time, in its sole discretion, those of its officers and employees or those of a Designated Subsidiary, to whom will be granted stock options (the "Beneficiaries") pursuant to the Plan, the date or dates of grant, the date set for the subscription of the shares under options (the "Offered Shares") as well as the option period, the frequency of share subscriptions by each Beneficiary and other vesting conditions.

3. DESCRIPTION AND NUMBER OF SHARES ISSUABLE PURSUANT TO THE PLAN

- 3.1 The shares which are issuable upon the exercise of options granted pursuant to this Plan (the "Offered Shares") will constitute new issued and outstanding Class A Variable Voting Shares ("Variable Voting Shares") to a Beneficiary who is not a Canadian within the meaning of the Canada Transportation Act ("CTA") or Class B Voting Shares ("Voting Shares") to a Beneficiary who is Canadian within the meaning of the CTA. Voting Shares allow their holder the right to: (i) vote on the basis of one (1) vote per share at each time a shareholders' vote is held, (ii) receive any dividend declared on the Shares and (iii) share in the remaining assets of the Corporation in the event of its liquidation or dissolution.
- 3.2 Variable Voting Shares carry one (1) vote per share held, except where (a) the number of outstanding Variable Voting Shares exceeds 25% of the total number of all issued and outstanding Variable Voting Shares and Voting Shares (or any greater percentage the Governor in Council may specify pursuant to the CTA), or (b) 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 CTA) of the total number of votes that may be cast at such meeting.
- 3.3 If either of the above-noted thresholds is surpassed at any time, the vote attached to each Variable Voting Share will decrease automatically without further act or formality. Under the circumstances described in the paragraph above, the Variable Voting Shares as a class cannot carry more than 25% (or any greater percentage that the Governor in Council may specify pursuant to the CTA) of the total voting rights attached to the aggregate number of issued and outstanding Variable Voting Shares and Voting Shares of Transat. Under the circumstances described in the paragraph above, the Variable Voting Shares as a class cannot, for a given shareholders' meeting, carry more than 25% (or any greater percentage that the Governor in Council may specify pursuant to the CTA) of the total number of votes that may be cast at said meeting.

- 3.4 The maximum number of Shares which are issuable upon the exercise of options granted under this Plan as at January 1st, 2015 is 949,039, subject to any adjustment pursuant to the provisions of Section 8. All shares subject to options that have expired or have been canceled without being exercised will become shares reserved for options that may later be granted under the Plan.
- 3.5 The number of Shares which (a) may be issued to insiders (within the meaning of the *Securities Act* (Québec)), at any time and (b) are issued to these insiders, within any one-year period, under the 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 Shares of Transat.
- 3.6 The number of Shares which may be purchased for by any person (including insiders and their associates within the meaning of the *Securities Act* (Québec)) within any one-year period pursuant to the terms of this Plan and all of the other share-based compensation plans of the Corporation must not exceed five percent (5%) of the number of issued and outstanding Shares of Transat.
- 3.7 The number of options that can be granted within any one-year period under the Plan must not exceed two percent (2%) of the aggregate number of issued and outstanding Shares of Transat.
- 3.8 The options will be issued in compliance with financial factors established by the Board.

4. SUBSCRIPTION PRICE

The price at which each Offered Share may be subscribed by the Beneficiaries upon the exercise of options granted pursuant to this Plan will be determined by the Board of Directors of the Corporation or, as the case may be, its Executive Committee, as to be equal to the weighted average trading price of the Shares on the Toronto Stock Exchange for the five (5) trading days preceding the grant of the options and during which transactions have been effected on the Shares of the Corporation.

5. TERMS AND CONDITIONS OF GRANT AND EXERCISE OF OPTIONS

- 5.1 Options will be granted pursuant to the Plan in accordance with a stock option grant agreement entered into by each Beneficiary, of which a specimen is attached to this Plan to form an integral part thereof (the "Grant Agreement"). Each Grant Agreement will bear the date determined by the Board of Directors of the Corporation or, as the case may be, its Executive Committee, relative to the grant of the options to which it applies. Each Grant Agreement will also indicate the vesting conditions relative to the grant of options to which it applies as determined annually by the Board of Directors of the Corporation.
- 5.2 The Plan will allow each Beneficiary to subscribe the number of Offered Shares pursuant to the Grant Agreement, during the option period as determined in the Grant Agreement, but which in no case may exceed seven (7) years, except in the circumstances where the end of the term of an option falls within, or within ten (10) business days after the end of, a "blackout" or similar period imposed under any insider trading policy or similar policy of Transat (but not, for greater certainty, a restrictive period resulting from Transat or its insiders being the subject of a cease trade order of a securities regulatory authority). In such circumstances, the end of term of such option shall be the tenth (10th) business day after the end of such blackout period (the "Blackout Expiration Term").
- 5.3 Subject to the terms of the grant determined by the Board of Directors of the Corporation, the options may be exercised by the Beneficiary, at his option, during the option period by delivering to Transat's head office, to the attention of the Vice-President, General Counsel and Corporate Secretary on behalf of the Corporation, the notice of exercise of option duly completed and signed, of which a specimen is attached to the Plan to form an integral part thereof (the "Notice of Exercise").

- 5.4 Upon exercise of his options, the Beneficiary must be officer or employee of Transat or of one of its Designated Subsidiaries. However, the Beneficiary, within three (3) months following his voluntary termination of employment may exercise the options then vested to him. Further, in the event of termination of employment following a retirement, termination of employment following permanent disability, termination of employment without serious reason, or death of the Beneficiary, or dismissal or layoff the Beneficiary, his heirs or his legal representatives as the case may be, may, within six (6) months following such event, exercise the options that were vested to him at the date of such event. If the options are not exercised prior to the expiry of the above-mentioned delays, the options vested to the Beneficiary at the date of his termination of employment or his death, as the case may be, will become null and void.

In the event of termination of employment for serious reason, the options granted to the Beneficiary will become null and void as of the date of termination of employment.

For the purposes of this subsection 5.4, “termination of employment” or “date of termination of employment” means, the earlier of (i) the effective date of termination and (ii) the date of notice of termination of employment.

- 5.5 Notwithstanding any other provision in the Plan (or any contrary mention at the time of grant of the option), in case of a take-over bid or exchange bid for the shares of the Corporation as defined under the Securities Act (Québec) (as amended) respecting the acquisition of shares or securities providing direct or indirect ownership of 20% or more of the voting rights for the election of the directors of the Corporation (an “Offer”) or in case of an acquisition of control (as described at Schedule A attached hereto and as determined from time to time by the Board of Directors, subject to approval by the applicable regulatory authorities as the case may be), any option granted and not vested may be exercised and any option granted (vested or not vested) may also be subject to a forced exercise by the Board of Directors of the Corporation, in all cases pursuant to the procedures prescribed by the Board of Directors. Except a contrary decision by the Board of Directors of the Corporation, it is understood that the foregoing provisions, in the case of an Offer, will be applicable only if the Offer is successful, such that the exercise of any unvested option or the forced exercise by the Board of the Directors of any option is conditional upon the successful completion of the Offer.
- 5.6 Subject to subsection 5.5, if the Corporation is to be amalgamated with or acquired by another entity by way of merger or otherwise (an “Acquisition”), the committee or the Board of Directors of any entity assuming the obligations of the Corporation under the Plan (the “Successor Board”), shall, as to outstanding options, act in accordance with the guidelines set forth in subsection 5.4 and in the case where the merger or any other transaction would not give rise to an acquisition of control in the opinion of the Board of Directors of the Corporation, the Successor Board must then (i) make appropriate provisions for the continuation of such options by substituting on an equitable basis for the shares then subject to such options the consideration payable with respect to the outstanding Shares in conjuncture with the Acquisition or (ii) upon written notice to the Beneficiaries, provide that all options (exercisable or not) may be exercised during a specified period following the date of such notice, at the end of which period the options shall terminate; or (iii) terminate all options in exchange for a cash payment equal to the excess of the fair market value of the shares subject to such options (exercisable or not) over the exercise price thereof.

6. ISSUANCE AND DELIVERY OF THE SHARES

- 6.1. The Shares subscribed for pursuant to the Plan will be issued and allotted to the Beneficiaries within fifteen (15) business days following the date of receipt of the Notice of Exercise of option and the Beneficiaries will thereupon be considered as the registered holders of the Shares thus subscribed for.

- 6.2. Until the Shares are issued and allotted, a Beneficiary will have no rights as a shareholder with respect to the Shares.

7. NON ASSIGNABILITY OF OPTIONS

The options may not be assigned, traded or pledged by the Beneficiaries. Any such transactions will entail the nullity of the options. Subject to subsection 5.4, the options may however be assigned by will or pursuant to the provisions of the laws of succession.

8. AMENDMENT TO SHARE CAPITAL

In the event of a change in the number of outstanding Shares by reason of a stock dividend, share subdivision or consolidation of capital or any other similar amendment to the share capital, appropriate adjustments will be made by the Board of Directors of Transat or by its Executive Committee, as the case may be, to the number of shares subject to outstanding options or to the subscription price of the shares.

9. MISCELLANEOUS

- 9.1 The Board of Directors of Transat or its Executive Committee, as the case may be, bears full responsibility with regard to the Plan, which includes, but not limited to, the power and authority to adopt, amend, suspend or terminate the Plan. Any such adoption, amendment, suspension or termination is subject to the rules set forth by the regulatory authorities.
- 9.2 Subject to Section 9.3, shareholder approval is not required for amendments to the Plan or options.
- 9.3 Approval by a majority of the voting shareholders present at a duly called shareholder meeting is required for the following amendments:
- 9.3.1 Any increase to the number of shares issuable under the plan (other than for standard anti-dilution purposes);
 - 9.3.2 The reduction of the subscription price of options (other than for standard anti-dilution purposes);
 - 9.3.3 The extension of the option period of options;
 - 9.3.4 Any amendment that would permit options to be transferred or assigned other than by will or pursuant to the provisions of the laws of succession;
 - 9.3.5 The extension of the blackout expiration term provided for in subsection 5.2;
 - 9.3.6 Any amendment that would permit the granting of options in favour of directors who are not employed, directly or indirectly, by the Corporation or a designated Subsidiary;
 - 9.3.7 Any amendment to this section 9.3.
- 9.4 No amendment of the Plan or options may contravene the requirements of any competent regulatory authority to which the Plan or Transat is now or may hereafter be subject to.
- 9.5 The shareholders' approval of an amendment may be given by way of confirmation at the next

meeting of shareholders after the amendment is made, provided that no Shares are issued pursuant to the amended terms.

- 9.6 The Board of Directors of Transat mandates its Human Resources and Compensation Committee to administer and interpret the Plan and make any decision on any matter relating thereto and any decision will be final and binding on all parties.
- 9.7 Participation in the Plan is entirely voluntary and cannot be considered as a condition of employment or of continued employment.
- 9.8 This Plan does not imply any warranty against any loss which may result from a reduction in value of the Shares included in the Plan for a Beneficiary.

10. TAX WITHHOLDING

10.1. **General.** The Corporation may take such steps as are considered necessary or appropriate for the withholding (including any deduction) of any taxes which the Corporation is required by any law or regulation of any governmental authority to withhold in connection with this Plan. The obligation of the Corporation to deliver Shares upon the exercise of an option is conditional upon the Beneficiary paying such amount as may be requested for the purpose of satisfying any liability in respect of such withholding.

10.2. **Method of Payment (Canadian participants only).**

- a) The Beneficiary consents to the Corporation having the irrevocable right to sell such number of shares as it determines are required to be sold, as trustee, through a trustee, broker or otherwise to satisfy the required withholding tax. Selling costs (including any fee or any brokerage commission) shall be paid by the Beneficiary in respect of any such sale of Shares. The Beneficiary (i) consents to such sale, (ii) grants to the Corporation an irrevocable power of attorney to effect such sale and (iii) consents to the giving of payment instructions to the broker for a cheque to be made out to Transat, covering the amount of the required tax withholding be remitted directly to Transat and a cheque made out to the Beneficiary for the balance of the proceeds of sale, after deducting the commission payable to the broker, be sent to the Beneficiary. The Beneficiary acknowledges and agrees that the Corporation does not accept nor assume any responsibility for the price obtained on any such sale nor for the accuracy of the calculation of the required withholding. Without limiting the foregoing, the Beneficiary acknowledges that any such sale by the Corporation is subject to securities legislation and other restrictions and may be delayed, during which delay the price of Shares may fluctuate and the price obtained by the Corporation may be lower than the price at which options were exercised.
- b) Any Beneficiary may choose to deliver a certified cheque to the Corporation in an amount equal to the required withholding. Such cheque must be received in advance of any exercise of options or any other event in respect of which a withholding must be made.
- c) If the required withholding is not fully satisfied by one of the foregoing described steps, the Beneficiary consents to the Corporation setting off any amount required to be withheld against amounts otherwise owing by the Corporation to the Beneficiary (whether arising pursuant to the Beneficiary's relationship as a director, officer or employee of the Corporation or as a result of the Beneficiary providing services on an

ongoing basis to the Corporation or otherwise and whether or not such amount is then exigible).

- 10.3. **No Guarantee Regarding Tax Treatment.** The Beneficiary shall be responsible for all taxes payable under the Plan or in respect thereof, whether arising as a result of the grant or exercise of options, sale of Shares issued pursuant to such options, or otherwise. The Corporation makes no guarantee to any person regarding the tax treatment of options, including the granting or exercise thereof, the issuance of Shares pursuant thereto and the sale thereof, or payments made under the Plan. None of the Corporation, nor any of its employees or representatives shall have any liability to any Beneficiary in respect of any such taxes.

11. APPLICABLE LAWS

The Plan will be subject to and interpreted pursuant to the laws of the Province of Québec and the laws of Canada applicable therein.

ACQUISITION OF CONTROL

For the purposes of subsection 5.5 of the 2009 Stock Option Plan, an “acquisition of control” occurs when an event or series of events not solicited by the Corporation’s management triggers an acquisition of control of the Corporation, with the exception of the events set out in paragraph d); “acquisition of control of the Corporation” means any situation determined by the Board of Directors to establish a de facto control of the Corporation, either directly or indirectly, through the ownership of securities of the Corporation, by way of agreement or in any other manner whatsoever. Without limiting the generality of the foregoing, the following events shall be considered an acquisition of control:

- a) If a person, through transactions on the stock markets, by way of private sale or by any other manner may directly or indirectly may acquire ownership or beneficial ownership of a number of securities of the Corporation which represents 20% or more of the voting rights for the election of the directors of the Corporation;
- b) If a person, proceeding by stock market trading, by over-the-counter sale, or in any other manner whatsoever, becomes the beneficial owner, directly or indirectly, of a certain number of securities of the Corporation conferring 20% or more of the voting rights for the election of the Corporation’s directors; however, the acquisition of securities by the Corporation itself, by one of its subsidiaries or affiliates, or by an employee benefit plan of the Corporation or one of its subsidiaries or affiliates (or by the Trustee of such a plan), or by a company or other legal entity of which, after acquisition, almost all of the voting securities are beneficially owned, directly or indirectly, by the persons who, prior to the acquisition, were the owners of the securities of the Corporation which were acquired by the said corporation or other legal entity, in proportions substantially similar to those of their previous holding of the securities of the Corporation, shall not constitute an acquisition of control;
- c) If individuals who constitute the Board of Directors on March 13, 2014 and any new director whose nomination by the Board of Directors or proposed nomination to the election of the Board of Directors by the shareholders of the Corporation was approved by a vote of at least 3/4 of the directors comprising the incumbent board as at March 13, 2014, or whose nomination or proposed election by the shareholders of the Corporation 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;
- d) If assets of the Corporation representing 50% or more of the book value of all the assets of the Corporation as at the date of the most recent audited financial statements of the Corporation are sold, liquidated or otherwise assigned; 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, or if other

substantially all of the assets of Air Transat A.T. Inc. or Transat Tours Canada Inc. are sold or assigned;

- e) If assets of the Corporation representing 10% or more of the book value of all the assets of the Corporation or if securities entitling the holder thereof to exercise 10% or more of the aggregate voting rights for the election of the directors of the Corporation, have been transferred pursuant to a take over, seizure or dispossession resulting or related to: (i) nationalisation, expropriation, confiscation, coercion, force, constraint or any other similar action; or (ii) introduction of a tax, assessment, or any other charge or levy for seizure. For the purposes of this paragraph, the book value of the assets of the Corporation shall be determined according to the most recent audited financial statements of the Corporation at the date of transfer; or
- f) Any other event as the Board of Directors may determine from time to time, subject to the applicable regulatory approvals.

As adopted on January 14, 2009 and amended on December 10, 2014.

SCHEDULE D

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

“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 attached to this resolution.”

SCHEDULE E

SHAREHOLDER PROPOSALS

The following proposals were presented to the management of the Corporation by the Mouvement d'éducation et de défense des actionnaires ("MÉDAC"), which has a place of business at 82 W. Sherbrooke St., Montréal, Québec H2X 1X3.

As at January 19, 2015, the date its proposals were filed and based on the public information available, MÉDAC held 320 Class B Voting Shares of the Corporation, representing 0,001% of all the issued and outstanding voting shares.

Proposal No. 1 – Directors' competencies: risk management deficiency

It is proposed that the Board of Directors, as soon as possible, recruit a greater number of directors with expertise in risk management.

MÉDAC's arguments

The review of the directors' fields of expertise as disclosed in the 2014 Circular allows us to profile the following competencies for the directors:

Main competencies identified	Number of directors
Corporate management	12
Governance	11
Business development, mergers and acquisitions	11
Strategic planning	10
Experience on boards of directors of public companies	10
Operations	9
Finance and accounting	9
...	
Risk management	1

This competency is currently held by Ms. Susan Kudzman, a new member of the Board of Directors. Although an expert in the field, she is not supported by the specific expertise of any other colleagues. This situation is cause for concern, mainly for the following reasons:

- The Corporation must deal with several risks, as described in its annual report: economic risks, competition risks, reputational risks, financial risks, procurement and key supplier risks, air travel risks, technological risks, regulatory risks, human resources risks and insurance coverage risks;
- It does not have a specific risk management committee, but distributes the analysis of these uncertainties among three committees, i.e. the Audit Committee, the Human Resources and Compensation Committee and the Corporate Governance and Nominating Committee. This division of responsibility prevents it from having an overview of the risks and their interconnectivity through a specific committee dedicated to this task;
- The training offered to the directors, at least in the previous year, makes no mention of this subject.
- Very few directors have competencies in technology, new media, public relations, communications and advertising and the environment, which are useful competencies to assess reputational and environmental

risks.

For these reasons, we submit the proposal that the Board of Directors review its director nomination criteria to increase the presence of directors with risk management competencies and that it improve its training program for the directors accordingly.

The Corporation's position

The Corporation considers, in view of the functions and responsibilities all the directors hold or have held, that they possess excellent knowledge of risk management. Due to the Corporation's activities, we consider it appropriate to repeat that it is continuously exposed to a variety of risks, which are analyzed and discussed in the Management's Discussion & Analysis attached to the Corporation's annual report. Moreover, the main risks are reviewed every quarter, either before the Corporate Governance and Nominating Committee or the Audit Committee. We also wish to note again, as mentioned in subsection 10.1 of this Management Proxy Circular, that the Corporate Governance and Nominations Committee, at each of its committees, reviews certain emergency measures and risk management measures related to the Corporation's activities. We therefore consider that all the directors have this competency. Nonetheless, we have taken note of the comment and have amended the Directors' Competencies table found on page 65 to reflect this situation.

Therefore, the Board and the management of the Corporation recommend that the shareholders vote AGAINST MÉDAC's Proposal No. 1.

Proposal No. 2 – Increase the presence of women on the Board of Directors

It is proposed that the Board of Directors adopt an objective of increasing the presence of women on its Board to 40% over a five-year period.

MÉDAC's arguments

The 11-person Board of Directors currently includes only two women. It is now recognized that women have the knowledge, competencies and experience to sit on a board of directors of a company of any size, particularly that of Air Transat Inc. For example, a count of the number of directors who took the Université Laval corporate governance training program led us to find that over 40% of those who took this training and passed it were women. While the specific competency is present to meet such an objective quickly, one must also consider the added value of a better balance of representation on the Board of Directors. In this regard, let us remind you that human resources studies identify different leadership styles and qualities, including empathy, teamwork skills, rigour, common sense and informed caution.

Transat A.T. Inc. has stood out for its orientation towards social responsibility, social tourism and respect for the environment. It should also achieve distinction for its openness to an increased presence of women on its Board of Directors by setting an objective to achieve a proportion of 40% women on its Board of Directors over a five-year period.

The Corporation's position

Transat considers that a board composed of highly qualified directors from various backgrounds leads to better corporate governance. In this sense, Transat supports diversity on its Board of Directors and believes in the added value of an increased presence of women on its Board of Directors.

Over the past five years, five people have joined Transat's Board, including two women. One of them had to resign shortly after her election, following the merger of Secor and KPMG, due to the policies in force at KPMG. When the Corporate Governance and Nominating Committee looks for candidates to recommend for the election of a director to the Board of Directors, it considers only highly qualified candidates, based on their experience, functional expertise and personal qualities. It takes into account diversity criteria, including sex, age and origin.

Transat has closely followed the considerable work of the Ontario Securities Commission since the summer of 2013, which led to the implementation of the amendments to Regulation 58-101 respecting Disclosure of Corporate Governance Practices. These amendments became effective on December 31, 2014, and will apply to Transat's Management Proxy Circular for next year, i.e. the shareholders' meeting to be held in March 2016. The amendments are essentially intended to increase the information provided to the shareholders on the representation of women on the Board of Directors and among the executive officers. Transat intends to comply with the new regulations and considers this proposal by MÉDAC to be premature.

Therefore, the Board and the management of the Corporation recommend that the shareholders vote AGAINST MÉDAC's Proposal No. 2.

Proposal No. 3 – Abolition of the stock options for non-independent directors

It is proposed that the Board of Directors abolish the grant of stock options to the founding directors.

MÉDAC's arguments

According to the Management Proxy Circular, four directors hold stock options, i.e. Mr. Jean-Marc Eustache (862,533), Mr. Philippe Sureau (84,408), Ms. Lina De Cesare (73,254) and Mr. Jacques Simoneau (671).

Over the past few years, a great many Canadian major corporations have abolished the practice of granting stock options to their directors, recognizing that these stock options could be an incentive to excessive risk taking, and that other, more appropriate means exist to align the interests of the directors and the shareholders, such as shareholding.

This is the practice verified at Air Transat Inc. for its independent directors. However, we are surprised at the use of this director compensation formula for Messrs. Eustache and Sureau and for Ms. De Cesare. We emphasize that the purpose of this compensation formula is to attract, retain and motivate the beneficiaries by granting options. How can such a formula be applicable for the three founders of the Corporation, whose retention, loyalty and motivation does not have to be solicited?

It should be noted that Caisse de dépôt and Desjardins do not subscribe to such a compensation formula for directors. We take the liberty of quoting the position of Desjardins Funds:¹

“They will vote AGAINST the creation of stock option plans for managers or directors, and will vote AGAINST any addition to existing plans, except for start-up and small cap companies.”

The purpose of our proposal is to request the Board of Directors to abolish this practice for the non-independent directors.

The Corporation's position

We wish to reiterate that since March 15, 2006, the Board of Directors of the Corporation has ceased granting options to directors who are not employees or executive officers of the Corporation, as mentioned in Note 3 to the “Total Compensation of Outside Directors” table on page 31 of this Circular. We also specify that the options received by Mr. Jean-Marc Eustache were received in his capacity as an executive officer and as President and Chief Executive Officer. The same principle applies to the options received by Ms. Lina De Cesare and Mr. Philippe Sureau when they were respectively President, Tour Operators, of the Corporation and President, Distribution, of the Corporation, whereas the options granted to Mr. Jacques Simoneau predated 2006, the year the policy was adopted. We also reiterate that the options granted at that time have a 10-year lifespan.

¹ http://www.fondsdesjardins.com/information/droit_vote_en.pdf

Therefore, the Board and the management of the Corporation recommend that the shareholders vote AGAINST MÉDAC's Proposal No. 3, which is moot.

Proposal No. 4 – Pension plans for executive officers

It is proposed that the pension plan for the new executive officers of Air Transat Inc. be the same as for all employees and be calculated only based on salary.

MÉDAC's arguments

The Management Proxy Circular mentions that the plans offered to the Corporation's executive officers are defined benefit plans. The amount of the benefit is established according to a percentage that varies according to the credited years of service, multiplied by the "final average salary 5 years", which is equal to the sum of the base salary and the target bonus under the long-term incentive plan.

Few Quebecers benefit from such a generous pension plan. There is good reason to believe that the Corporation's non-executive employees do not enjoy the same benefits.

The current compensation approach means that the executive officers have compensation that is difficult to justify, both before and after their retirement. We deplore the use over the past few years of stock options that tend to reward "luck" as much as performance and that encourage excessive risk taking. We also deplore this calculation formula, which includes annual bonuses that tend to increase disparities between executive officers and employees. As the popular saying goes: you can't butter your bread on both sides.

Out of a concern for fairness, it is proposed that the Board of Directors review its policy regarding the pension plan of its executive officers so that, over a five-year period, the situation is corrected and both executive officers and employees are subject to the same pension plan.

The Corporation's position

Transat considers its executive compensation as a whole, and ensures this overall compensation is both motivating and in compliance with market practices and standards. Retirement is only one part of this compensation and cannot be considered in isolation from the other components.

Of course, the compensation of Transat's executives is higher than that of the general population, both to attract and develop the loyalty of the best talents, compensate them in accordance with their responsibilities and reward them for results obtained, if applicable.

From this point of view, the most important point is not whether the pension of executives is calculated on the same basis as for all employees, but remembering that Transat contributes, in one form or another, to the pensions of all its full-time employees, and that executive compensation is set in accordance with market standards. It is useful to mention in this regard that Transat is one of the rare corporations in its peer group to have introduced a performance factor, several years ago, for the vesting of stock options.

Since executive compensation as a whole, including the value of their pension, is in line with the market and since Transat needs to maintain its compensation practices at a competitive level, reducing the pension value would compel us to review other compensation components upward and introduce an imbalance between old and new executives.

Therefore, we consider that it is inappropriate to change the calculation method for executive pensions.

Therefore, the Board and the management of the Corporation recommend that the shareholders vote AGAINST MÉDAC's Proposal No. 4.

SCHEDULE F

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 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; and
 - (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 proposing a nomination and 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. (Montréal 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 MAY BE DIRECTED TO THE PROXY SOLICITATION AGENT:



NORTH AMERICAN TOLL FREE PHONE:

1-866-822-1239

Banks, brokers and collect calls: 201-806-7301

Toll free facsimile: 1-888-509-5907

Email: inquiries@dfking.com

