TRANSAT A.T. INC.

NOTICE OF MEETING AND MANAGEMENT PROXY CIRCULAR CONCERNING THE

2009 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD AT THE FAIRMONT QUEEN ELIZABETH HOTEL, 900 RENÉ LÉVESQUE BLVD. W,
ROOM MARQUETTE/JOLLIET, MONTRÉAL, QUÉBEC, CANADA, H3B 4A5

ON MARCH 11, 2009 AT 10:00 A.M. (EASTERN TIME)

January 21, 2009

WHAT'S INSIDE THIS MANAGEMENT PROXY CIRCULAR

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NOTICE OF THE 2009 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

The Annual and Special Meeting of the holders of Class A Variable Voting Shares and Class B Voting Shares (collectively the "voting shares") of Transat A.T. Inc. (the "Corporation" or "Transat") will be held at **The Fairmont Queen Elizabeth Hotel, 900 Rene Levesque Blvd. W., Room Marquette/Jolliet, Montréal, Québec, Canada, H3B 4A5, on March 11, 2009 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, 2008 and the auditors' report thereon;
2. To elect the directors;
3. To appoint the auditors for the ensuing year and to authorize the Board of Directors to fix their remuneration;
4. To examine and, if deemed appropriate, adopt a resolution, as set out in Schedule A to this Management Proxy Circular, ratifying the adoption of the 2009 Stock Option Plan approved by our Board of Directors on January 14, 2009 (the "2009 Stock Option Plan Resolution").
5. To transact any other business which may properly come before the Meeting or any adjournment thereof.

We hope you will take the time to familiarize yourself with the information on these matters set out in the Circular. It is important that you exercise your vote, either in person at the Meeting or by completing and returning the proxy form. We invite you to join us at the Meeting, where you will have the opportunity to ask questions and meet with our management and Board of Directors as well as your fellow shareholders. **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.**

Made at Montréal, on January 21, 2009

BY ORDER OF THE BOARD OF DIRECTORS

Transat A.T. Inc.

Bernard Bussières
Vice-President, General Counsel and Corporate Secretary

In order that the greatest possible number of voting shares may be represented and voted at the Meeting, registered shareholders who are unable to attend the Meeting should return their duly completed proxies to our transfer agent, CIBC Mellon Trust Company, before 5:00 p.m. (Eastern Time), Monday, March 9, 2009 or, in the event that the Meeting is adjourned or postponed, by no later than 5:00 p.m. (Eastern Time) two business days prior to the day fixed for the adjourned or postponed Meeting. The enclosed form of proxy must be completed, dated, signed and sent to CIBC Mellon Trust Company before the above-mentioned date and time either (i) by MAIL in the enclosed prepaid envelope provided for that purpose; (ii) by FAX at (416) 368-2502, Attention: Proxy Unit; or (iii) in person at 320 Bay Street, Banking Hall, Toronto, Ontario, M5H 4A6, Attention: Proxy Unit or at 2001 University Street, 16th Floor, Montréal, Québec, H3A 2A6, Attention: Proxy Unit. Please refer to the annexed Circular for details. If you are not a registered shareholder (i.e., if your voting shares are held through a bank, trust company, securities broker or other nominee), please refer to the sections entitled "How can a Non-Registered Shareholder Vote?" and "How can a Non-Registered Shareholder Vote in Person at the Meeting?" in the Circular, which explain how to vote your shares.

Management Proxy Circular

INFORMATION REGARDING THE MEETING

To ensure representation of your shares at the annual and special meeting of the holders of Class A variable voting shares (the "Variable Voting Shares") and Class B voting shares (the "Voting Shares" and collectively with the Variable Voting Shares, the "voting shares") of Transat A.T. Inc. ("Transat" or the "Corporation") (the "Meeting"), please select the most convenient way for you to express your voting instructions (by fax, by mail or in person) and follow the relevant instructions. Unless otherwise indicated, the information included herein is given as of January 21, 2009. In this Circular, any mention of "dollars" or "$" refers to Canadian dollars, unless otherwise indicated. The following questions and answers provide guidance on how to vote your shares.

YOUR QUESTIONS AND OUR ANSWERS ON PROXY VOTING

1. Q: WHO IS SOLICITING MY PROXY?

A: The management of Transat is soliciting your proxy for use at the Annual and Special Meeting scheduled to be held at **The Fairmont Queen Elizabeth Hotel, 900 Rene Levesque Blvd. W, Room Marquette/Jolliet, Montréal, Québec, Canada, H3B 4A5, on Wednesday, March 11, 2009 at 10:00 a.m. (Eastern Time).**

2. Q: WHAT WILL I BE VOTING ON?

A: This year, the Meeting being an annual and special meeting, you will be voting on three items:

i) The election of the directors of Transat;

ii) The reappointment of Ernst & Young LLP as Transat's auditors; and

iii) A resolution ratifying the adoption of the 2009 Stock Option Plan approved by our Board of Directors on January 14, 2009 (the "2009 Stock Option Plan Resolution").

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

A: The election of the directors, the appointment of the auditors and the 2009 Stock Option Plan resolution must be approved by a majority of the votes cast by all of our shareholders present or represented by proxy at the Meeting.

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

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

Pursuant to the *Canada Transportation Act*, S.C. 1996, c. 10 (the "Canada Transportation Act"), Air Transat A.T. Inc. ("Air Transat"), a wholly owned subsidiary of the Corporation, must at all times be in a position to establish that it is "Canadian" within the meaning of such act in order to hold the licences necessary to operate an air service. Because Transat wholly owns Air Transat, we 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 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 (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting exceeds 25% of the total number of votes that may be cast at such meeting. If either of the above-noted thresholds would otherwise be surpassed at any time, the vote attached to each Variable Voting Share will decrease proportionately such that (i) the Variable Voting Shares as a class do not carry more than 25% of the aggregate votes attached to all issued and outstanding voting shares of the Corporation and (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting do not exceed 25% of the votes that may be cast at such meeting. The Voting Shares can only be owned and controlled by Canadians and always carry one vote per share. All the other rights, privileges, conditions and restrictions for the two classes of shares are the same.

The holders of Variable Voting Shares and Voting Shares will vote together at the Meeting and no separate meeting is being held for any such class of shares. 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, CIBC Mellon Trust Company ("CIBC Mellon"), that you indicated (through inadvertence or otherwise) that you owned or controlled the wrong class of shares, the automatic conversion provided for in our Articles shall be triggered. Where a statement made in a declaration appears inconsistent with the knowledge of Transat (through inadvertence or otherwise), we may take any action that we deem appropriate with a view to ensure compliance with the Ownership Restrictions. Further, if a declaration is not duly completed, executed and delivered to Transat through its transfer agent, CIBC Mellon, 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 an increase from 25% to 49% in the limit applicable to foreign investments in Canadian airlines through bilateral negotiations with Canada's trading partners.

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

A: As at January 21, 2009, we had 1,314,899 Class A Variable Voting Shares and 31,402,651 Class B Voting Shares issued and outstanding. You are eligible to receive notice of, and vote at the Meeting or at any adjournment thereof if you were a holder of voting shares on January 21, 2009, 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 all issued and outstanding voting shares, or (ii) the total number of votes cast by or on behalf of the holders of Variable Voting Shares at any meeting exceeds 25% 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 voting rights 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 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 Voting Shares may only be owned and controlled by Canadians within the meaning of the *Canada Transportation Act*. Each Voting Share carries one vote.

6. Q: WHO ARE OUR PRINCIPAL SHAREHOLDERS?

A: To the knowledge of our directors and officers, and based on publicly available information, as at January 21, 2009, the only person who beneficially owns and exercises control or direction over 10% or more of the outstanding Voting Shares, is:

a. **Fonds de solidarité des travailleurs du Québec (F.T.Q.),** which held 3,419,126 Voting Shares representing approximately 10,45% of all issued and outstanding Voting Shares, provided its shareholding has not changed between October 31, 2008 and January 21, 2009.

Moreover, as of such above date, certain persons beneficially own or exercise control or direction over 10% or more of the outstanding Variable Voting Shares. They are:

b. **Pennant Capital Management LLC**, which held 390,800 Variable Voting Shares for and on behalf of several separate investment funds managed by it, representing approximately 29,61% of all issued and outstanding Variable Voting Shares, provided its shareholding has not changed between October 31, 2008 and January 21, 2009;

c. **Connor, Clark & Lunn Investment Management Ltd.**, which held 334,000 Variable Voting Shares representing approximately 25,30% of all issued and outstanding Variable Voting Shares, provided its shareholding has not changed between October 31, 2008 and January 21, 2009.

7. Q: HOW DO I VOTE?

A: If you are eligible to vote and your shares are registered in your name, you can vote your shares in person at the Meeting or by proxy. You have three ways of voting by proxy: (i) by fax, by completing and signing the enclosed proxy form and forwarding it to the fax number: (416) 368-2502, Attention: Proxy Unit; (ii) by mail, by completing and signing the enclosed proxy form and mailing it in the prepaid envelope provided; or (iii) in person at 320 Bay Street, Banking Hall, Toronto, Ontario, M5H 4A6, Attention: Proxy Unit or at 2001 University Street, 16th Floor, Montréal, Québec, H3A 2A6, Attention: Proxy Unit.

Please note that in order for your proxy form to be considered as duly completed and therefore, for your votes to be tallied, you must duly complete and return to CIBC Mellon, no later than March 9, 2009 (5:00 p.m. E.T.), 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 and 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.**

9. Q: HOW WILL MY PROXY BE VOTED?

A: On the proxy form, you can indicate how you want your proxyholder to vote your shares, or you can let your proxyholder 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 proxyholder 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 proxyholder 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 the nominees listed under the heading “Nominees for Election as Directors” of this Circular;

(ii) FOR the appointment of Ernst & Young LLP as auditors of Transat; and

(iii) FOR the adoption of the 2009 Stock Option Plan Resolution.

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

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

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

11. **Q: BY WHEN MUST I VOTE?**

A: No later than 5:00 p.m. (Eastern Time) on March 9, 2009 (unless you intend to attend the Meeting in person). All shares represented by proper proxies accompanied by duly completed declarations received by CIBC Mellon 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 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 9, 2009 at 5:00 p.m. (Eastern Time), or to the Chair of the Meeting on the day 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 counted by duly authorized representatives of CIBC Mellon, the Corporation's Transfer Agent.

14. **Q: HOW ARE PROXIES SOLICITED?**

A: Our management requests that you sign and return the proxy form to ensure your votes are exercised at the Meeting. Proxies will be solicited primarily by mail or by any other means our management may deem necessary. Members of our management will receive no additional compensation for these services, but will be reimbursed for any transaction expenses they incurred in connection with these services. 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 their reasonable transaction and clerical expenses. 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 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 proxyholder. Therefore, if you are a non-registered shareholder and wish to vote in person at the Meeting, please fill in your 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 as proxyholder. 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.

GETTING TO THE BUSINESS OF THE MEETING

1. FINANCIAL STATEMENTS

The audited consolidated financial statements for the year ended October 31, 2008 and report of the auditors thereon, and the comparative financial statements for the years ended October 31, 2007 and 2008, 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 and a maximum of fifteen directors. In accordance with a resolution adopted by our Board of Directors, the number of directors of the Corporation to be elected at the Meeting has been set at eleven.

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

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.

Unless a shareholder indicates his intention to abstain from voting for the nominees, the voting rights attached to the shares represented by the proxy form enclosed herewith will be voted in favour of the election of the eleven nominees listed 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 and their biography, and whether the nominees are independent. Also indicated for each nominee is, among other things, the number and value of Voting Shares and deferred share units ("DSUs") beneficially owned, directly or indirectly, or over which control or direction is exercised as at January 21, 2009, the number of options to purchase Voting Shares held as at such date, the committees on which he or she serves, the number of committee meetings and Board meetings he or she attended during the financial year ended October 31, 2008, as well as information regarding compensation received as a director during such financial year.

Information is based on the statements made by the persons concerned and updated on a yearly basis.

André Bisson, O.C. Age: 79 Québec, Canada Director since April 1995 Lead Director Independent(1)	André Bisson is Chairman of the Board of CIRANO (Center for Interuniversity Research and Analysis on Organizations) and of *Branchez-Vous Inc.*, an Internet media publisher quoted on the TSX Venture Exchange. Prior to 1988, Mr. Bisson was Senior Vice-President and General Manager, Québec, for the Bank of Nova Scotia. Until recently, he was also Chancellor and Chairman of the Board of the *Université de Montréal*. He also served on the boards of many corporations, including AXA Assurances, Power Financial Corporation, Donohue, Julius Baer Advisory Canada, Logistec, Pirelli Cables, Systems North America and Quebecor World. Mr. Bisson is currently on the board of many non-profit organizations in the cultural and charitable sectors. Mr. Bisson holds a M.B.A. from Harvard University, two honorary doctorates, and a Fellow *honoris causa.* He is Chancellor Emeritus of the *Université de Montréal* and was awarded the Order of Canada.

Board/Committee Membership:	**Attendance:**		**Fees Paid During FY 2008(2)**	**Value of Equity Compensation in FY 2008(2)**
Board of Directors	13 of 13	100%	$46,500	$12,000
Executive Committee	2 of 2	100%	$3,500	–
Audit Committee	5 of 5	100%	$20,000	–
Corporate Governance and Nominating Committee	4 of 4	100%	$9,000	–

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)(5)	Stock Options
20,762	1,138	21,900	$206,955	$90,000	8,148

John P. (Jack) Cashman Age: 68 Ontario, Canada Director since April 2005 Independent(1)	John P. (Jack) Cashman is President of Humphrey Management Limited, a privately owned holding company that also provides consulting services. Since 2001, Mr. Cashman has been the Non-Executive Chairman of Vectura Group Plc, a drug delivery company located in the United Kingdom and listed on The London Stock Exchange. During 2008, Mr. Cashman resigned from the following board of directors: Interface Biologics Inc. (privately held Canadian therapeutic biomaterials company); Inspection Biosciences Inc. (Canada's largest cord blood bank); and Phoqus Group Plc (UK company specializing in oral drug delivery which was listed on The London Stock Exchange). In 2007, Mr. Cashman joined the board of Telesat Inc., a private Canadian satellite company. From 2002 to 2005, Mr. Cashman was the Non-Executive Chairman of Advanced Surgical Concepts, an Irish based medical devices company. Mr. Cashman is the former Chairman and joint CEO of R.P. Scherer Corporation and participated in its leveraged buy-out and privatization and subsequent successful public listing on the New York Stock Exchange in October 1991. R.P. Scherer Corporation was subsequently acquired by Cardinal Health Inc. (NYSE).

Board/Committee Membership:	**Attendance:**		**Fees Paid During FY 2008(2)**	**Value of Equity Compensation in FY 2008(2)**
Board of Directors	13 of 13	100%	$31,500	$27,000
Corporate Governance and Nominating Committee	1 of 1	100%	$2,458	–

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)(5)	Stock Options
2,000	2,159	4,159	$39,303	$90,000	671

Lina De Cesare(6) Age: 57 Québec, Canada Director since May 1989 Non-independent(1) (Executive officer)	Lina De Cesare is the Corporation's President - Tour Operators and one of Transat's three founding members along with Messrs. Eustache and Sureau. She is also President of several active subsidiaries of the Corporation, namely: Cameleon Hotel Management Corporation, Cameleon Marival (Canada) Inc., Trafictours Canada Inc. and Transat Holidays USA, Inc. Ms. De Cesare also serves as director on the boards of several subsidiaries of the Corporation and is a member of the board of directors of Cirque Éloize since April 2008.				
Board/Committee Membership:	**Attendance:**		**Fees Paid During FY 2008**(2)	**Value of Equity Compensation in FY 2008**(2)	
Board of Directors	11 of 13	85%	N/A	N/A	
Securities Beneficially Owned, Directly or Indirectly, or Controlled or Directed:					
Voting Shares	DSUs	Total of Voting Shares and DSUs	Total Market Value of Voting Shares and DSUs(3)	Minimum Equity Ownership Required(4)(5)	Stock Options
62,417	3,786	66,203	$625,618	$742,351	73,254

Jean Pierre Delisle(5) Age : 64 Québec, Canada Director since September 2007 Independent (1)	Jean Pierre Delisle is a Chartered Accountant and a director and executor of a number of companies and estates. In 1965, Mr. Delisle joined Ernst & Young 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 been Vice-president of Groupe Soficorp Inc., where he advised a number of companies in their Initial Public Offering (IPO's) including Transat A.T. Inc. of which he was a director from April 1987 to October 1988 until his return to Ernst & Young in November 1988. Until his retirement in 2000, Mr. Delisle held a number of positions within Ernst & Young including that of Managing partner of the Montreal South Shore and Laval offices. From September to December 2001, Mr. Delisle joined Transat's senior management team as Adviser to the President in the context of the crisis facing the airline industry resulting from the events of September 11th, 2001. Mr. Delisle obtained a Bachelor of Commerce degree from Concordia University (Loyola College) and became a member of the *Ordre des comptables agréés du Québec* in 1967.				
Board/Committee Membership:	**Attendance:**		**Fees Paid During FY 2008**(2)	**Value of Equity Compensation in FY 2008**(2)	
Board of Directors	13 of 13	100%	$46,500	$12,000	
Audit Committee	3 of 3	100%	$6,194	–	
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)(5)	Stock Options
2,000	529	2,529	$23,899	$90,000	–

<table>
<tr><td colspan="2">Jean-Marc Eustache(6)
Age: 61
Québec, Canada
Director since February 1987
Non-independent(1)
(Executive officer)</td><td colspan="4">Jean-Marc Eustache is Chairman of the Board, President and CEO of the Corporation, and Chairman of its Executive Committee, 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 Transat Tours Canada Inc., a subsidiary of the Corporation. He also serves on the board of directors of many subsidiaries of the Corporation. Since 2005, Mr. Eustache sits on the board of directors of Quebecor Inc., a public company listed on the TSX. He is also a director of several non-profit organizations, such as the Cercle des présidents du Québec, the Conference Board of Canada, Espace Go Theatre, UQAM Foundation (of which he is Chairman) and the Canadian Tourism Commission, on whose executive committee he also serves. Mr. Eustache holds a B.A. in economics from UQAM (Université du Québec à Montréal).</td></tr>
<tr><th colspan="2">Board/Committee Membership:</th><th>Attendance:</th><th></th><th>Fees Paid During FY 2008(2)</th><th>Value of Equity Compensation in FY 2008(2)</th></tr>
<tr><td colspan="2">Board of Directors (Chairman)</td><td>13 of 13</td><td>100%</td><td>N/A</td><td>N/A</td></tr>
<tr><td colspan="2">Executive Committee (Chairman)</td><td>2 of 2</td><td>100%</td><td>N/A</td><td>N/A</td></tr>
<tr><th colspan="6">Securities Beneficially Owned, Directly or Indirectly, or Controlled or Directed:</th></tr>
<tr><td>Voting Shares</td><td>DSUs</td><td>Total of Voting Shares and DSUs</td><td>Total Market Value of Voting Shares and DSUs(3)</td><td>Minimum Equity Ownership Required(4)(5)</td><td>Stock Options</td></tr>
<tr><td>401,487</td><td>10,250</td><td>411,737</td><td>$3,890,915</td><td>$1,520,000</td><td>157,458</td></tr>
</table>

<table>
<tr><td colspan="2">Jean-Yves Leblanc(5)
Age: 62
Québec, Canada
Director since December 2008
Independent(1)</td><td colspan="4">Jean-Yves Leblanc is an engineer and holds an MBA. He was President and Chief Executive Officer of Bombardier Transportation from 1986 to 2000, and Chairman of its Board of Directors from 2001 to 2004. Before holding these positions, he worked in senior management at Marine Industries, where he respectively served as Vice-President, Hydroelectric Division, and Executive Vice-President and Chief Operating Officer. Previously, from 1973 to 1981, he was Vice-President and then President of Sometal Atlantic Ltd. Mr. Leblanc is currently a director of various corporations and organizations, including ADS Inc., Kuvera s.a., Pomerleau inc., Premier Tech Ltée, JPL inc., Desjardins Securities Inc., Univalor S.E.C, the Montreal Heart Institute, the Montreal Heart Institute Foundation, Théâtre du Nouveau-Monde and Pointe-à-Callière Museum.</td></tr>
<tr><th colspan="2">Board/Committee Membership:</th><th>Attendance:</th><th></th><th>Fees Paid During FY 2008(2)</th><th>Value of Equity Compensation in FY 2008(2)</th></tr>
<tr><td colspan="2">Board of Directors</td><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
<tr><td colspan="2">Executive Committee</td><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
<tr><th colspan="6">Securities Beneficially Owned, Directly or Indirectly, or Controlled or Directed:</th></tr>
<tr><td>Voting Shares</td><td>DSUs</td><td>Total of Voting Shares and DSUs</td><td>Total Market Value of Voting Shares and DSUs(3)</td><td>Minimum Equity Ownership Required(4)(5)</td><td>Stock Options</td></tr>
<tr><td>–</td><td>–</td><td>–</td><td>$0</td><td>N/A</td><td>–</td></tr>
</table>

H. Clifford Hatch Jr. Age: 66 Ontario, Canada Director since March 2001 Lead Director Independent(1)	H. Clifford Hatch Jr. is President and CEO of Cliffco Investments Limited, a management holding and venture capital company. He serves on the boards of several public and private corporations, including Consolidated HCI Holdings Corporation, a public company listed on the TSX for which he acts as non-executive Chairman of the Board, and also chairs its audit committee, Brookdale Treeland Nurseries Limited (BTN) of which he is a significant security holder, and Carrizuelo S.A. (Madrid, Spain). Mr. Hatch was director and Chairman of the Audit Committee of SMK Speedy International Limited from 1992 until the company was sold in 2004. From 1977 to 1980, Mr. Hatch was President and CEO of Corby Distilleries Limited; from 1980 to 1984, he was Vice-President, Marketing of Hiram Walker & Gooderham & Worts and then its President and CEO from 1984 to 1987 as well as Executive Vice-President and a director of Hiram Walker Resources, the holding company for Hiram Walker Gooderham & Worts, Consumers Gas and Home Oil Limited. From 1987 to 1991, he was CFO of Allied-Lyons PLC (London, England). Mr. Hatch chairs The Gibbons-Daley Foundation and is a member of the Executive Committee of the Ontario Chapter of the Institute of Corporate Directors. Mr. Hatch is Chair of the Independent Review Committee of Caldwell Securities Limited. He holds a B.A. (Honours) in economics and political sciences from McGill University, as well as a M.B.A. from Harvard University.

Board/Committee Membership:	**Attendance:**		**Fees Paid During FY 2008(2)**	**Value of Equity Compensation in FY 2008(2)**
Board of Directors	11 of 13	85%	$44,000	$12,000
Executive Committee	2 of 2	100%	$3,500	–
Corporate Governance and Nominating Committee (Chairman)	4 of 4	100%	$19,000	–
Human Resources and Compensation Committee	5 of 5	100%	$10,500	–

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(4)(5)	Stock Options
3,374	1,944	5,318	$50,255	$90,000	4,395

Jacques Simoneau Age: 51 Québec, Canada Director since November 2000 Independent(1)	Jacques Simoneau is Executive Vice President, Investment of the Business Development Bank of Canada (“BDC”) since April 2006. As Executive Vice-President, he is responsible for the venture capital and subordinate financing portfolios. Prior to assuming his current position, he was President and CEO of Hydro-Québec CapiTech Inc, Senior Vice-President of the *Fonds de solidarité des travailleurs du Québec (F.T.Q.)* and CEO of Société Innovatech du sud du Québec. He also held executive positions at Advanced Scientific Computing and Alcan. He is a director of Sustainable Development Technology Canada and Canada’s Venture Capital and Private Equity Association. Mr. Simoneau is also a member of the *Conseil de la science et de la technologie du Québec* and serves on the scientific committee of the *Centre québécois de recherche et de développement de l’aluminium* and the University of Montréal’s Faculty of Medicine’s Advisory Committee. Mr. Simoneau is a mechanical engineer and holds a M.Sc. from Laval University as well as a Ph.D. from Queen’s University in Kingston, Ontario. He is a member of the *Ordre des ingénieurs du Québec* and of Professional Engineers Ontario.

Board/Committee Membership:	**Attendance:**		**Fees Paid During FY 2008(2)**	**Value of Equity Compensation in FY 2008(2)**
Board of Directors	11 of 13	85%	$44,000	$12,000
Corporate Governance and Nominating Committee	4 of 4	100%	$9,000	–

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)(5)	Stock Options
3,554	1,138	4,692	$44,339	$90,000	671

<table>
<tr><td colspan="2">Philippe Sureau[6]
Age: 59
Québec, Canada
Director since February 1987
Non-independent[1]
(Executive officer)</td><td colspan="4">Philippe Sureau is the Corporation's President – Distribution and one of Transat's three founders along with Mr. Jean-Marc Eustache and Ms. Lina De Cesare. Mr. Sureau is also President and Chairman of the Board of Eurocharter SAS and Transat Distribution Canada Inc., Chairman of the Board of Travel Superstore Inc. and also serves on the board of directors of several affiliates of the Corporation. He has been part of the founding and development of a series of business initiatives, which led to the inception of Transat in 1987 (Nortour, Trafic Voyages, Trafic Tour France), and has been a member of its Board since its inception. As a travel industry professional, his chief contribution has been in the field of public relations as director of communications, marketing, sales strategy and corporate relationship. More recently, he served as President and CEO of Air Transat (1997-2000) and directed Transat's Internet venture. Today, he heads the distribution side of the Corporation, overseeing its activities on both online and traditional channels in Canada and France. Among other accomplishments, he was President of the Québec Travel Agency Association (ACTA-Québec) in 1986-87; Chairman 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 the Manoir Richelieu. In April 2005, Mr. Sureau was appointed member of the Comité consultatif des agents de voyages (consulting committee of travel agents) by the Québec government.</td></tr>
<tr><th colspan="2">Board/Committee Membership:</th><th colspan="2">Attendance:</th><th>Fees Paid During FY 2008[2]</th><th>Value of Equity Compensation in FY 2008[2]</th></tr>
<tr><td colspan="2">Board of Directors</td><td>13 of 13</td><td>100%</td><td>N/A</td><td>N/A</td></tr>
<tr><th colspan="6">Securities Beneficially Owned, Directly or Indirectly, or Controlled or Directed:</th></tr>
</table>

Voting Shares	DSUs	Total of Voting Shares and DSUs	Total Market Value of Voting Shares and DSUs[3]	Minimum Equity Ownership Required[4][5]	Stock Options
316,497	3,672	320,169	$3,025,597	$690,862	84,408

<table>
<tr><td colspan="2">John D. Thompson
Age: 74
Québec, Canada
Director since April 1995
Lead Director
Independent[1]</td><td colspan="4">John D. Thompson is a Corporate Director. Prior to 1995, he was President and CEO of Montreal Trust and Chairman of the Board of RoyNat Inc. Mr. Thompson currently serves on the board of directors and is Chairman of the Audit and Conduct Committees of certain corporations of the Scotia Bank Group, including Montreal Trust Company of Canada since 1989, Scotia General Insurance Company since 1997, National Trust Company since 1997, Scotia Life Insurance Company since 1997, Scotia Mortgage Corporation, Maple Trust Company since 2007, Dundee Bank of Canada since 2008 and The Bank of Nova Scotia Trust Company since 1997. Mr. Thompson is also a director of the MacDonald Stewart Foundation and Windsor Foundation and governor of St Mary's Hospital Centre. Mr. Thompson holds a bachelor's degree in engineering from McGill University (1957) and a M.B.A. from the University of Western Ontario (1960).</td></tr>
<tr><th colspan="2">Board/Committee Membership:</th><th colspan="2">Attendance:</th><th>Fees Paid During FY 2008[2]</th><th>Value of Equity Compensation in FY 2008[2]</th></tr>
<tr><td colspan="2">Board of Directors</td><td>12 of 13</td><td>92%</td><td>$30,000</td><td>$27,000</td></tr>
<tr><td colspan="2">Audit Committee</td><td>5 of 5</td><td>100%</td><td>$8,500</td><td>$2,000</td></tr>
<tr><td colspan="2">Human Resources and Compensation Committee</td><td>5 of 5</td><td>100%</td><td>$9,500</td><td>$2,000</td></tr>
<tr><th colspan="6">Securities beneficially owned, directly or indirectly, or controlled or directed:</th></tr>
</table>

Voting Shares	DSUs	Total of Voting Shares and DSUs	Total Market Value of Voting Shares and DSUs[3]	Minimum Equity Ownership Required[4][5]	Stock Options
15,000	3,395	18,395	$173,832	$90,000	2,943

Dennis Wood, O.C. Age: 69 Québec, Canada Director since March 2004 Independent[(1)]	Mr. Wood is President and Chief Executive Officer of DWH Inc., a position he has held since 1973. Since April 2005, he has also been acting as Interim President and Chief Executive Officer of GBO Inc. (formerly Le Groupe Bocenor Inc.), for which he also chairs the Executive Committee. Between 1992 and 2001, Mr. Wood acted as President of C-MAC Industries Inc. In addition to his duties as a board member and committee member with Transat A.T., Mr. Wood is a member of the Board of Directors of the National Bank Trust where he also chairs the Ethics Committee and serves on the Audit Committee. He is also a director of Groupe Jean Coutu Inc. where he serves on the Audit Committee, and of Rite Aid Corp. where he serves on the Compensation Committee. As well, Mr. Wood is Chairman of the Board of Directors of Azimut Exploration Inc. and 5N Plus Inc. Mr. Wood has an honorary Ph.D. in administration from the Université de Sherbrooke and was awarded the Order of Canada.

Board/Committee Membership:	**Attendance:**		**Fees Paid During FY 2008[(2)]**	**Value of Equity Compensation in FY 2008[(2)]**
Board of Directors	13 of 13	100%	$16,500	$42,000
Human Resources and Compensation Committee	5 of 5	100%	$7,000	$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)(5)]	Stock Options
7,143	4,838	11,981	$113,220	$90,000	1,627

(1) Independent" refers to the standards of independence established under Section 1.2 of Canadian Securities Administrators' National Instrument 58-101.

(2) Please refer to the "Directors' Compensation" section of this Circular for a description of the compensation policy applicable to our outside directors during the financial year ended October 31, 2008.

(3) The "Total Market Value of Voting Shares and DSUs" is determined by multiplying the closing price of the Voting Shares on the TSX on January 21, 2009 ($9,45) 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.

(5) Mr. Leblanc and Mr. Delisle have served as directors for less than three years. Mr. Delisle joined the Board in September 2007 and Mr. Leblanc in December 2008. It should be noted that a number of directors no longer meet the limits established by the guidelines, particularly due to the important decrease in the price per share over the last year, although these individuals were meeting the said limits at the same time last year. On January 14, 2009, the Corporation decided to amend its guidelines to grant to these individuals an additional period of 24 months in order to meet such limits.

(6) Guidelines of the Corporation applicable to our executive officers provide that such officers must hold, after having been in a top management position (salary grades 1 through 6 of Transat) for five years, a number of voting shares or DSUs having a value which corresponds to a specified salary multiple. In the case of the President and Chief Executive Officer, the applicable multiple is twice his annual salary; in the case of the President – Tour Operators and the President – Distribution, the applicable multiple is 1.5 times their annual salary. In the case of other Officers, the applicable multiple is 1 or 0.5 time their annual salary (grades 3 through 6).

(7) It should be noted that the late Jean Guertin, who was a director since 1995, passed away on November 6, 2008. The following table sets forth the details concerning his compensation:

Board/Committee Membership	**Attendance**		**Fees Paid During FY 2008**	**Value of Equity compensation during FY 2008**
Board of Directors	8 of 13	62%	$39,000	$12,000
Executive Committee	2 of 2	100%	$3,500	–
Audit Committee	4 of 5	80%	$7,500	–
Human Resources and Compensation Committee (Chairman)	4 of 5	80%	$19,500	–

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[(4)(5)]	Stock Options
7,230	1,138	8,368	$ 77 078	$90,000	671

To the knowledge of Transat, none of the proposed nominees for election as directors of the Corporation is or has been in the last ten years from the date of this Circular an executive officer or director of a company that, while the nominee was acting in that capacity or within a year of that nominee ceasing to act in that capacity, made a proposal under legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors, except for: (i) Mr. Dennis Wood, who is currently a director of GBO Inc. (formerly Le Groupe Bocenor Inc.) which company was subject to an event which resulted in the company filing a notice of intention to make a proposal under the B*ankruptcy and Insolvency Act (Canada)* on June 11, 2004, which was ratified by the Quebec Superior Court on August 5, 2004; (ii) Mr. H. Clifford Hatch Jr. who (a) was, until March 7, 2003, a director of Geneka Biotechnologie Inc. which made an assignment in bankruptcy on June 1, 2003; and (b) was a director of Fleming Packaging Corporation which became bankrupt in May 2003, being within one year after Mr. Hatch resigned as a director of such company; (iii) Mr. John P. Cashman who (a) was, until May 2007, a director of Amtrol Holdings, Inc. which registered, along with certain of its affiliates, voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code on December 18, 2006, filed on December 27, 2006 and emerged from its Chapter 11 Reorganization case following the May 24, 2007 confirmation by the United States Bankruptcy Court, and (b) was also a former director of Phoqus Group plc, which made an assignment in bankruptcy on November 11, 2008, being within one year after Mr. John P. Cashman ceased to act as director of such corporation; and iv) Mr. John D. Thompson, who served for several years (since 1996) on the board of directors of Shermag, which filed for protection under the *Companies' Creditors Arrangement Act* on May 5, 2008. However, Mr. Thompson ceased to act as director of such corporation on August 8, 2007.

3. APPOINTMENT OF OUR AUDITORS

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

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

In 2008, the aggregate amounts billed for professional services provided by the auditors to the Corporation and its subsidiaries were approximately $1,333,000 for audit and audit-related fees, $200,000 for tax fees and $0 for all other non-audit fees; the comparative figures for 2007 were approximately $1,177,000, $317,000 and $0, respectively. "Audit fees" are fees for professional services provided for the audit of the Corporation's consolidated financial statements, for services that are normally provided by the Corporation's external auditors in connection with statutory and regulatory filings or engagements and for other services performed by the auditors to comply with generally accepted auditing standards; "audit-related fees" are fees for assurance and related services; "tax fees" are fees for tax compliance, tax advice and tax planning services; and "all other fees" are fees for any services not included in the first three categories.

3.1 Auditors' Independence

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

4. 2009 STOCK OPTION PLAN

4.1 The Former Plan

The Corporation currently has a stock option plan for directors, officers and employees, which has been adopted on December 5, 1995 and amended from time to time (the "Former Plan"). The Former Plan allows us 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. As of the date hereof, Options for issuance of 716,173 voting shares of the Corporation, which represent 2,2 % of the issued and outstanding voting shares of the Corporation, have been granted under the Former Plan but have not yet been exercised, and a balance of 610,611 Options, which represents 1,9 % of the issued and outstanding voting shares of the Corporation, remains available for grant under such plan.

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

Our Board of Directors or, as the case may be, its Executive Committee, upon recommendation of the Human Resources and Compensation Committee, may determine, from time to time and in its entire discretion, which Beneficiaries will be granted Options, the grant date or dates, the date on which the Options may vest, as well as the frequency at which each of the holders may exercise their Options. The Options granted under the Former Plan expire ten years after the grant date, or earlier if the option holder ceases to hold a position with Transat or any of its subsidiaries or if he or she dies. Also, in circumstances where the end of the option period of an Option falls within, or within ten business days after the end of, a blackout period, the end of the option period of such Option shall then be the tenth business day after the end of such blackout period. The number of voting shares which (i) may be issued to insiders (within the meaning of the *Securities Act* (Québec)), at any time and (ii) are issued to these insiders, within any one-year period, under the Former Plan and all of the other share-based compensation plans of the Corporation, cannot exceed ten percent (10%) of the number of issued and outstanding voting shares of the Corporation. The number of voting shares which may be purchased by any person (including insiders and their associates within the meaning of the *Securities Act* (Québec)) within any one-year period under the Former Plan and all of the other share-based compensation plans of the Corporation must not exceed five percent (5%) of the issued and outstanding voting shares of the Corporation.

Shareholder approval is not required for amendments to the Former Plan or the Options. For example, the Board of Directors may, without shareholder approval, make certain amendments of the following nature to the Former Plan and Options such as: (i) formal minor or technical amendments to any provision of the Former Plan; (ii) corrections to any provision of the Former Plan containing an ambiguity, defect, error or omission; or (iii) changes to the Option termination provisions that do not entail an extension beyond the option period of the Options. 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 number of Voting Shares issuable under the Former Plan (other than for standard anti-dilution purposes);

(b) the reduction of the subscription price of the Options held by an insider (other than for standard anti-dilution purposes);

(c) the extension of the option period of the Options held by an insider;

(d) the extension 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 or heirs or legal representatives, as the case may be, may, within six months following such event, exercise the Options that were vested to him at the date of such event. Options not exercised prior to the expiry of such delays will become null and void. In the event of termination of employment for serious reason, the Options granted will become null and void as of the date of termination of employment.

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

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

Notwithstanding the foregoing, in case of a take-over bid or exchange bid for Transat shares, within the meaning of the *Securities Act* (Québec), providing for the purchase of shares or securities conferring direct or indirect ownership of 20% or more of the votes that may be cast to elect Transat's directors (the "Offer") or of an acquisition of control, any Option granted but not yet vested may be exercised. Moreover, in such a case, any Option granted, regardless of whether or not it has vested, may be forced to be exercised by our Board of Directors. Unless a contrary decision is made by our 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 non-vested option or the exercise forced by the Board of Directors is conditional on the Offer's success.

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

After more than 13 years, the Corporation has granted most of the available Options with an annualized average of almost 546,556 Options granted and therefore the remaining number of Options available for grant under the Former Plan is now insufficient. **Consequently, the Board of Directors believes, considering among other things that the Stock Option Plan is an important component of the Long-Term Incentive Program, that it would be in the best interests of the Corporation to adopt a new Stock Option Plan.**

4.2 The New Plan

On January 14, 2009, the Board of Directors adopted the 2009 Stock Option Plan for officers and employees (the "New Beneficiaries") of the Corporation (the "New Plan"). The New Plan complies with the rules and policies of the Toronto Stock Exchange (the "TSX"). Under the New Plan, the Board of Directors may grant Options for issuance of up to a maximum of 1,945,000 voting shares of the Corporation, which represent 5,9 % of the issued and outstanding voting shares of the Corporation as of January 21, 2009. The Options that have been granted pursuant to the Former Plan but that have not yet been exercised will continue to be governed by the Former Plan. The balance of Options remaining available for grant under the Former Plan is 610,611.

The New Plan will be effective upon receipt of shareholder approval of the New Plan and the final approval from the TSX. As of the date hereof, the Board of Directors of the Corporation has not granted any Options under the New Plan.

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

Our Board of Directors or, as the case may be, its Executive Committee, upon recommendation of the Human Resources and Compensation Committee, may determine, from time to time and in its entire discretion, which New Beneficiaries will be granted Options, the grant date or dates, the date on which the Options may vest, the frequency at which each of the holders may exercise their Options, as well as other vesting conditions. The Options granted under the New Plan expire ten years after the grant date, or earlier if the option holder ceases to hold a position with Transat or any of its subsidiaries or if he or she dies. Also, in circumstances where the end of the option period of an Option falls within, or within ten business days after the end of, a blackout period, the end of the option period of such Option shall then be the tenth business day after the end of such blackout period.

All grants of Options under the New Plan will vest only if Transat achieves a certain level of return on shareholders' equity to be determined by our Board of Directors prior to each grant.

The number of voting shares which (i) may be issued to insiders (within the meaning of the *Securities Act* (Québec)), at any time and (ii) are issued to these insiders, within any one-year period, under the New 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 New 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 voting shares of the Corporation. The number of Options which may be granted within any one-year period under the New Plan must not exceed, in the aggregate, two percent (2%) of the number of issued and outstanding voting shares of the Corporation. The Options will be granted in compliance with financial factors established by the Board.

Shareholder approval is not required for amendments to the New Plan or the Options. For example, the Board of Directors may, without shareholder approval, make certain amendments of the following nature to the New Plan and Options such as: (i) minor or technical amendments to any provision of the New Plan; (ii) corrections to any provision of the New Plan containing an ambiguity, defect, error or omission; or (iii) changes to the Option termination provisions that do not entail an extension beyond the option period of the Options. 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 number of Voting Shares issuable under the New Plan (other than for standard anti-dilution purposes);

(b) the reduction of the subscription price of the Options (other than for standard anti-dilution purposes);

(c) the extension of the option period of the Options;

(d) 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;

(e) the extension of the blackout expiration term;

(f) any amendment that would permit the granting of options in favour of non-executive directors;

(g) any amendment to the amendment provisions that require shareholder approval.

Upon exercise of his Options, the New Beneficiary must be an officer or employee of the Corporation or its subsidiaries. However, within three months following his voluntary termination of employment, the New Beneficiary may exercise the Options then vested to him. In the event of termination of employment following retirement or permanent disability, termination of employment without serious reason, or death, dismissal or layoff of the New

Beneficiary, the New Beneficiary or heirs or legal representatives, as the case may be, may, within six months following such event, exercise the Options that were vested to him at the date of such event. Options not exercised prior to the expiry of such delays will become null and void. In the event of termination of employment for serious reason, the Options granted will become null and void as of the date of termination of employment.

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

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

Notwithstanding the foregoing, in case of a take-over bid or exchange bid for Transat shares, within the meaning of the *Securities Act* (Québec), providing for the purchase of shares or securities conferring direct or indirect ownership of 20% or more of the votes that may be cast to elect Transat's directors (the "Offer") or of an acquisition of control, any Option granted but not yet vested may be exercised. Moreover, in such a case, any Option granted, regardless of whether or not it has vested, may be forced to be exercised by our Board of Directors. Unless a contrary decision is made by our 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 non-vested option or the exercise forced by the Board of Directors is conditional on the Offer's success.

For the purposes of the New Plan, an acquisition of control occurs when an event or series of events triggers a *de facto* control of Transat, either directly or indirectly, through the ownership of Transat's securities, by way of agreement or in any other manner whatsoever. Subject to any contrary decision from the applicable regulatory authorities, and without limiting the generality of the foregoing, the following events shall be considered to be an acquisition of control: (i) if a person proceeding by way of a public offering in conformity with the provisions of the *Securities Act* (Québec) becomes the owner or beneficial owner, directly or indirectly, of a number of our securities which represents 20% or more of the voting rights for the election of our directors; (ii) if a person, through transactions on the stock markets, by way of private sale or by any other manner may directly or indirectly acquire ownership or beneficial ownership of a number of our securities which represents 20% or more of the voting rights for the election of our directors; (iii) if individuals who constitute our Board of Directors on January 14, 2009, and any new director whose nomination by the Board of Directors or proposed nomination to the election of the Board of Directors by our shareholders was approved by a vote of at least three-quarters of the directors comprising the incumbent board as at January 14, 2009, or whose nomination or proposed election by our shareholders was approved in such a way subsequently, cease for any reason to constitute at least a majority of the members of the Board of Directors; (iv) if our assets representing 50% or more of the book value of all our assets are sold, liquidated or otherwise assigned; (v) if a majority of voting securities allowing the election of the directors of Air Transat A.T. Inc. or Transat Tours Canada Inc. are sold or assigned; (vi) if substantially all of the assets of Air Transat A.T. Inc. or Transat Tours Canada Inc. are sold or assigned; (vii) if assets of Transat representing 10% or more of the book value of all the assets of Transat or if securities entitling the holder the holder thereof to exercise 10% or more of the aggregate voting rights for the election of the directors of Transat, have been transferred pursuant to a take-over, seizure or dispossession, resulting or related to: (a) nationalisation, expropriation, confiscation, coercion, force, constraint or any other similar action, or (b) introduction of a tax, assessment, or any other charge or levy for seizure; or (vii) any other event that our Board of Directors may determine from time to time, subject to the applicable regulatory approvals.

4.3 Text of the New Plan

The full text of the New Plan is set forth in Schedule B to this Circular.

4.4 Recommendation of the Board of Directors

At the Meeting, shareholders will be asked to consider and, if deemed appropriate, to approve the New Plan by passing the 2009 Stock Option Plan Resolution, substantially in the form of the resolution set forth in Schedule A to this Circular. The 2009 Stock Option Plan Resolution must be approved by a majority of the votes cast by shareholder entitled to vote who are represented in person or by proxy at the Meeting who vote in respect of that resolution. Should the 2009 Stock Option Plan Resolution not be approved, the New Plan will not be adopted and the Former Plan will remain in effect, without any modifications to the ability of the Board of Directors to grant Options under the Former Plan or to other terms and conditions of the Former Plan.

The Board of Directors of the Corporation considers the New Plan to be in the best interests of the Corporation and recommends that shareholders vote in favour of the 2009 Stock Option Plan Resolution.

5. DIRECTORS' COMPENSATION

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 during the financial year ended October 31, 2008:

	From November 1, 2007
Annual Board retainer	$30,000 in cash plus an additional amount of $12,000 paid at a quarterly rate of $3,000 in DSUs
Additional annual retainer payable to each lead director (being each committee chairperson)	$10,000
Annual Audit committee retainer	$5,000
Annual committee retainer (excluding committee chairpersons and excluding Audit committee members):	$3,000
Each Board or committee meeting attended	
–in person:	$1,500
–by conference call:	$1,000
Annual grant of Options under the terms of our Stock Option Plan:	No new grants; suspended indefinitely by the Board

A director can choose to have 0 to 100% of the annual fees and supplements paid in the form of DSUs pursuant to the Deferred Share Unit Plan for Independent Directors which we 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 at the market value of a Transat Voting Share on the dates that such DSUs are credited. When the directors cease being directors, all DSUs credited to their name will be redeemed in cash by Transat based on the market value of the Voting 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, transportation privileges are granted to our directors pursuant to the same policy which applies to all the employees of Transat.

Please refer to the tables set out on pages 8 and following of this Circular for detailed information on the total amount of fees paid in cash to, as well as the value of equity compensation received during the financial year ended October 31, 2008 by each of our outside directors who are seeking re-election.

6. REPORT OF THE CORPORATE GOVERNANCE AND NOMINATING COMMITTEE

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 senior executives; (iii) setting objectives for the President and Chief Executive Officer and reviewing those of senior executives 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. Clifford Hatch (Chairman of the Committee), André Bisson, John P. Cashman and Jacques Simoneau. Please note that Mr. Jean-Marc Eustache attends the meetings of the Committee upon invitation.

6.1 Corporate Governance Initiatives

The Committee is made up of four independent directors whose powers and mandate are set out in the Committee's charter.

The Committee regularly reviews our corporate governance practices in light of developing requirements and practices in this field. As new provisions come into effect, the Committee will reassess our corporate governance practices and recommend that changes be implemented where appropriate. Transat's corporate governance practices meet or exceed National Instrument 58-101 "Disclosure of Corporate Governance Practices" adopted by the Canadian Securities Administrators (see Transat's alignment with these requirements at Schedule C of this Circular) and ensure transparency and effective governance of the Corporation.

Pursuant to its mandate, the Committee reviews a number of risks and emergency measures relating to the Corporation's operations including amongst others: risk management of information systems, tour operators, airline & aircraft activities, third party hotels where Transat books space for its guests and insurance coverage and financial approval processes. 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.

6.2 Board / Committee Composition

The majority of the eleven directors seeking re-election at the Board are independent directors; the three non-independent directors are the founding members of the Corporation, including Mr. Eustache who chairs the Board. The lead directors, being the respective chairs of each of the Audit Committee, the Human Resources and Compensation Committee and the Governance and Nominating Committee, are all independent directors. On November 17, 2008, the Committee reviewed the diversity and composition of the Board, and the range and overall variety of business experience of the current directors, and recommended that Mr. Jean-Yves Leblanc be nominated as a new director.

6.3 Assessing Performance

During December 2008 and January 2009, the Committee conducted an annual formal evaluation of the Board and its committees' effectiveness and will compare the findings with last year's evaluation in order to target and implement suggested improvements as in previous years. Furthermore, during the same period, each director was asked to complete an annual evaluation consisting of a director peer review and feedback survey with the objectives of assessing the performance of each director and providing candid feedback to individual directors and thus improving the Board's performance. Such feedback is intended to stimulate insight, motivate developmental action and enable directors to enhance their individual contributions to Board and committee work. Feedback will be collected through the said 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.

6.4 Independence and Attendance

All directors, with the exception of Ms. De Cesare, Messrs. Eustache and Sureau (all three being executives and founding members of the Corporation), are independent within the meaning of section 1.2 of National Instrument 58-101 "Disclosure of Corporate Governance Practices" and the independence standards approved by the Board. The Committee monitored director attendance at Board and committee meetings and determined that all directors met the requirement to attend at least 75% of the respective Board or committee meetings. Independent directors, at their sole discretion, are able to hold "In Camera" sessions at every regularly scheduled Board meeting, at which time non-independent directors and members of management are not in attendance, and also when the need arises. During the financial year ended October 31, 2008, the independent directors held four "In Camera" sessions.

6.5 Orientation and Continuing Education

Transat's 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. Directors are encouraged to attend relevant external seminars and presentations conducted by recognized external legal professionals and financial organisations. On September 8, 2008, the directors attended training on the new IFRS rules and the transition to these new rules. On September 8, 2008, they also attended training on the *Competition Act*. A presentation on the new standards regarding the EU greenhouse gas emission trading scheme was given to the directors during the meeting of the Board of June 11, 2008.

6.6 Other Board Committees

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

6.7 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 a sub-committee which reports to the Audit Committee and a disclosure Committee. Its members include most senior officers of the Corporation responsible for, amongst other things, earnings announcements, analyst reports, calls and meetings, the use of forward-looking information, dealing with rumours and quiet 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 was reviewed this year by the disclosure committee, in order to update it in relation to the Company's practices concerning disclosure within the Corporation.

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended October 31, 2008.

Submitted on Behalf of the Corporate Governance and Nominating Committee by:

H. CLIFFORD HATCH JR. (Chairman), ANDRÉ BISSON, JOHN P. CASHMAN AND JACQUES SIMONEAU.

7. REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

7.1 Composition of the Committee

The Human Resources and Compensation Committee of our Board of Directors (referred to hereinafter in this section as the "Committee") is responsible for establishing the policies regarding the remuneration of executives and the development and training of their successors, as well as for continuously supervising the implementation of these policies. The Committee makes recommendations regarding the remuneration of the executive officers, which are subject to the approval of the Board of Directors. The Committee also reviews the yearly performance objectives of the Chairman of the Board, the President and Chief Executive Officer and the other executive officers and performs the evaluation of the Chief Executive Officer. The Committee reviews with the Chief Executive Officer his evaluation of the other executive officers. The annual written evaluation of the Chief Executive Officer is conducted by the Committee, submitted to the Board of Directors and discussed "In Camera".

The Committee is currently composed of Messrs. H. Clifford Hatch Jr., John D. Thompson and Dennis Wood. Mr. Jean Guertin, director of the Corporation and Chairman of the Committee, passed away on November 6, 2008. Mr. John D. Thompson was appointed as new Chairman of the Committee. No member of this Committee is currently employed by Transat or any of its subsidiaries, or is a former officer or employee of Transat or any of its subsidiaries. None of our executive officers is a member of the board of directors of the corporations that employed Messrs. H. Clifford Hatch Jr., John D. Thompson and Dennis Wood. Please note that Mr. Jean-Marc Eustache attends the meetings of the Committee upon invitation.

7.2 Executive Compensation Analysis

On September 18, 2008, the Canadian Securities Administrators announced that they were adopting a new Regulation Respecting Continuous Disclosure Obligations, including Form 51-102F6, *Statement of Executive Compensation*. It is scheduled to come into force on December 31, 2008, only for corporations with a financial year ending after December 31, 2008. However, as permitted by the new Regulation, the Corporation wishes to fulfill its disclosure obligation in accordance with the new Regulation, particularly regarding compensation of Named Executive Officers.

The objective of our executive compensation policy is to provide Total Compensation (as defined below) that is competitive on the basis of our financial performance and to balance the fixed and variable components in order to attract the most competent people, so that they remain in their positions and are motivated to act in our shareholders' interests.

The potential executive compensation is established from a comparison with a reference market or "comparison group" composed of twenty-six Canadian public companies[1] chosen according to criteria such as the nature and complexity of their operations, their sectors of activity and the scope of their operations (Canada-wide and international).

The Committee annually reviews the composition of our comparison group and updates the Total Compensation data taken from this group. The Committee also annually studies general compensation surveys to compare our compensation policies with the generally accepted practices for public companies. For this purpose, the Committee reviews our positioning 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 target financial results and relative past performance.

During the annual compensation review process, the Committee resorts to external advisors if necessary, in order to ensure efficiency in the achievement of the objectives set and competitiveness in relation to the comparison group. Since 2006, the Committee retains the services of its own independent consultant, Mr. André Perrault of PCI-Perrault Consulting Inc., to advise it on corporate governance and executive compensation. In 2008, the Corporation also retained the services of PCI-Perrault Consulting Inc., which was not represented by Mr. André Perrault, to offer other advisory services on compensation of non-executive employees. The total fees paid to PCI-Perrault Consulting Inc. for the services rendered to the Committee and the Corporation during 2008 amounted to $87,115 and $74,662 respectively.

7.3 Total Compensation Components

The following table sets forth the components of the Total Compensation for senior executives, the positioning sought in relation to the comparison group and the objectives of each program:

[1] The comparison group includes the following 26 corporations working in sectors exhibiting similarities to those of Transat A.T. Inc.: ACE Aviation Holdings Inc., Groupe Aeroplan Inc., Astral Media Inc., CAE Inc., Canwest Global Communications Corp., Cascades Inc., Cogeco Inc., Corus Entertainment Inc., Cott Corporation, Extendicare REIT, Finning International Inc., The Forzani Group Ltd, Gildan Activewear Inc., CGI Group Inc., Yellow Pages Group, Metro Inc., Reitmans (Canada) Limited., RONA Inc., Saputo Inc., SNC-Lavalin Group Inc., Torstar Corporation, Transcontinental Inc., TransForce Inc., Uni-Select Inc., Wajax Income Fund, WestJet Airlines Ltd.

	COMPENSATION COMPONENT	OBJECTIVE	CRITERIA
FIXED	Base salary	▪ Attract and retain ▪ Recognize competencies and contribution to the Corporation's results	Competencies and individual contribution
FIXED	Benefits	▪ Adequate coverage (illness, disability, death) ▪ Competitive retirement benefits to promote retention	Competencies and individual contribution Some directly related to the salary
FIXED	Perquisites	▪ Facilitate access to certain services to favour prioritization of the Corporation's business	Related to the position's status
VARIABLE	Short-term incentive opportunity	▪ Motivate to achieve individual and corporate financial objectives ▪ Motivate to exceed objectives, up to a maximum of 1.25x the Corporation's financial objectives	Earnings per share ("EPS") or Earnings before interest and taxes ("EBIT")[(1)] and individual contribution
VARIABLE	Long-term incentive opportunity ▪ Stock options	Encourage share ownership and : ▪ Motivate to increase the price per share ▪ Retain through vesting conditions	Increase in the price per share
VARIABLE	▪ Restricted share units (« RSUs »)	▪ Motivate to achieve operational performance targets and create economic value ▪ Retain through vesting conditions	Return on equity
VARIABLE	▪ Stock Ownership Incentive Plan	▪ Support for achievement of shareholding guidelines[(2)]	Individual investment and price per share
VARIABLE	Total Compensation	▪ Attract, retain and motivate in the shareholders' interests	

(1) Earnings per share ("EPS") are used for the corporate executive positions and Earnings before interest and taxes ("EBIT"), both consolidated and for the respective business unit, are used for business unit executive positions.

(2) A maximum applies to the total cash compensation but not to the Total Compensation, in view of the growth potential of the share price.

7.4 Base Salary

For the purposes of internal equity, our senior executive officers' positions are first evaluated and classified into six different salary grades (from one to six) based on responsibilities, qualification requirements and other conditions specific to each position. Our executive officer positions are compared to other similar executive officer positions in corporations making up our comparison group, and the salary data gathered are then analyzed to establish the median salaries[2] in the market. Salary scales with minimums and maximums are then developed based on the market medians. Finally, the individual incumbents' salaries are positioned in the scales according to the 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.

7.5 Employee Benefits Program

The Employee Benefits Program is designed to provide adequate protection to executive officers and their families in the event of death, disability, illness, etc., and at the time of their retirement, by means of retirement arrangements that provide for the payment to eligible executive officers of a retirement income based on a percentage of the executive officer's salary at the end of his or her career, which is determined based on the number of years of service and a percentage of the executive officer's salary and target bonus per year of service.

The objective of the Employee Benefits Program is to ensure a target compensation value positioned at the median of the comparison group.

7.6 Perquisites Program

The Perquisites Program provides for the allocation of a dollar value expressed as a percentage of base salary (which varies between 8% and 10% according to the position held), allowing an executive officer to benefit from certain perquisites chosen among a range of perquisites we have predetermined.

2 "Median salary" means a salary set at the 50th percentile of the comparison group.

Regarding perquisites, under the terms of Transat's Total Compensation policy, it is expressly stipulated that the value of compensation based on perquisites should be about equal to the comparative market average.

7.7 Short-Term Incentive Program

The annual bonus for executive officers is based on our performance in relation to a consolidated financial performance measure applicable to Transat, to the financial objectives applicable to each of our subsidiaries and to individual performance. The annual bonus for each executive officer position is targeted at the first quartile of the comparison group. A maximum bonus equal to 2.5 times the target is paid if results are exceptional.

The target bonus and maximum bonus vary depending on the salary grade of the position considered and can reach, respectively, 30% to 50% and 75% to 100% of the base salary for Named Executive Officers.

The following table sets forth, for each Named Executive Officer, the target and maximum bonuses, the performance indicators and the bonus factors applicable according to the performance levels for each indicator, for financial year 2008:

Position	**Short-term incentive opportunity**		**Formula and weighting of performance indicators**						
	Target	**Maximum**	**Consolidated EPS or EBIT (1)**	**x**	**Business unit EBIT (2)**	**x**	**Individual performance**	**=**	**Total bonus**
	(% of base salary)								
Jean-Marc Eustache Chairman of the Board and President and Chief Executive Officer	50.0%	125.0%	0.00 to 2.25	**x**	N/A	**x**	0.00 to 1.12	=	0.0 to 2.5 x target
Lina De Cesare President, Tour Operators	40.0%	100.0%	0.00 to 2.25	**x**	N/A	**x**	0.00 to 1.12	=	0.0 to 2.5 x target
Philippe Sureau President, Distribution	40.0%	100.0%	0.00 to 2.25	**x**	N/A	**x**	0.00 to 1.12	=	0.0 to 2.5 x target
Nelson Gentiletti Executive Vice-President, Tour Operators	35.0%	87.5%	0.20 to 1.25	**x**	0.00 to 1.80	**x**	0.00 to 1.12	=	0.0 to 2.5 x target
François Laurin Vice-President, Finance and Administration and Chief Financial Officer	30.0%	75.0%	0.00 to 2.25	**x**	N/A	**x**	0.00 to 1.12	=	0.0 to 2.5 x target

(1) Earnings per share ("EPS") are used for corporate executive positions and earnings before interest and taxes ("EBIT") are used for business unit executive positions.

(2) The short-term incentive bonuses for corporate positions are weighted on two performance indicators: the Corporation's financial results and the individual contribution. A third indicator is added to these two indicators for business unit positions, namely the financial results of their respective business unit.

(3) Until November 1, 2008, Mr. Nelson Gentiletti held the position of President of Transat Tours Canada Inc. Since that date, he has held the position of Executive Vice-President, Tour Operators.

The following table sets forth, for financial year 2008, the threshold ("thr."), target and maximum performance levels and the bonus factor for each performance indicator:

	CORPORATE POSITIONS				**BUSINESS UNIT POSITIONS**								**ALL POSITIONS**				**Maximum Bonus**
	Consolidated EPS				**Consolidated EBIT**				**Business Unit's EBIT**				**Individual Performance Rating**				
	< Thr.	Thr.	Target	Max.	< Thr.	Thr.	Target	Max.	< Thr.	Thr.	Target	Max.	< Thr.	Thr.	Target	Max	
Performance Level(1)	< 80%	80%	100%	125%	< 80%	80%	100%	125%	< 80%	80%	100%	125%	< 2	2	3	4	
Bonus Factor	**0.00**	**0.20**	**1.00**	**2.25**	**0.20**	**0.20**	**1.00**	**1.25**	**0.00**	**0.20**	**1.00**	**1.80**	**0.00**	**0.88**	**1.00**	**1.12**	**2.5 x target**

(1) The performance levels of the consolidated EPS and EBIT and of the business units' EBIT are expressed as a percentage in their respective annual budget. For each of the consolidated and business unit performance indicators, the target is set by the Human Resources and Compensation Committee and approved by the Board of Directors.

For the financial year 2008, the Corporation results were lower than the predetermined thresholds, in particular those related to the performance of the Corporation, and therefore no bonus was paid to the senior executives.

Effective in 2009, the multiplicative bonus formula described above will be replaced with an additive bonus formula. Moreover, the individual component of the performance indicators will be replaced by an interunit component. The respective weighting of the performance indicators will vary according to the salary grade of the position. The target incentive opportunity will be increased slightly; however, the maximum incentive opportunity for each position level, the value of which will be equivalent to twice the target incentive opportunity, will remain unchanged. However, the target and maximum incentive opportunities for Mr. Gentiletti will be increased to reflect the position level of Executive Vice-President, Tour Operators, Transat A.T. Inc. to which he was promoted on November 1, 2008.

The following table sets forth the parameters of the new formula applicable to the Named Executive Officers:

NAME AND TITLE	PERFORMANCE INDICATOR WEIGHTING			PERFORMANCE MULTIPLES (APPLICABLE TO EACH PERFORMANCE INDICATOR)				SHORT-TERM INCENTIVE OPPORTUNITY			
	Consolidated EPS or EBIT	Business unit EBIT	Interunit performance	Below threshold	Threshold	Target	Maximum	Below threshold	Threshold	Target	Maximum
	(% of target bonus)			Below 80% x budget	80% x budget	100% x budget	120% x budget	*(% of base salary)*			
Jean-Marc Eustache Chairman of the Board and President and Chief Executive Officer	100%	n/a	n/a	0.00	0.50	1.00	2.00	0.0%	31.25%	62.5%	125.0%
Lina De Cesare President, Tour Operators	100%	n/a	n/a	0.00	0.50	1.00	2.00	0.0%	25.00%	50.0%	100.0%
Philippe Sureau President, Distribution	100%	n/a	n/a	0.00	0.50	1.00	2.00	0.0%	25.00%	50.0%	100.0%
Nelson Gentiletti Executive Vice-President, Tour Operators	50%	50%	n/a	0.00	0.50	1.00	2.00	0.0%	25.00%	50.0%	100.0%
François Laurin Vice-President, Finance and Administration and Chief Financial Officer	100%	n/a	n/a	0.00	0.50	1.00	2.00	0.0%	18.75%	37.5%	75.0%

7.8 Long-Term Incentive Program

The objective of the Long-Term Incentive Program is to ensure a target compensation value that serves to position the Total Compensation (as defined hereinabove) in the first quartile of our comparison group when all targeted objectives are reached, with the potential to exceed the median of the comparison group for exceptional results.

In financial year 2007:

(i) The value of long-term incentives was increased for executive officers (salary levels 1 through 6) and long-term incentive grants were introduced for senior management positions (salary levels 7 through 11), in the form of Restricted Share Units ("RSU") grants and/or additional Option grants.

(ii) The RSU Plan was introduced to further reinforce the convergence of the participants' interests with those of the shareholders. Grants under this plan are extended to all executives and senior management personnel (salary levels 1 through 11). Under the RSU Plan, participants may be awarded a number of RSUs each year which may vest at the end of a three-year cycle, based on achieving predetermined performance targets. See the "Restricted Share Unit Plan" section of this Circular for a summary of the terms and conditions of this plan.

(iii) As a result of the introduction of the RSU Plan, grants under the Deferred Unit Shares ("DSUs") Plan have ceased for all executives and cash payments in lieu of the award of shares under the Permanent Stock Ownership Incentive Plan to the top three Named Executive Officers have been discontinued.

The Long-Term Incentive Program is now comprised of three components, namely:

(i) Stock Option Plans: See sections 4 and 7.8.1 of this Circular for a summary of the terms and conditions of the new 2009 Stock Option Plan and the Former Plan.

(ii) Restricted Share Unit ("RSU") Plan: See section 7.8.2 of this Circular for a summary of the terms and conditions of this plan.

(iii) Permanent Stock Ownership Incentive Plan: See section 7.8.3 "Share Purchase Plan for the Benefit of All Employees or Executives, Permanent Stock Ownership Incentive Plan for Senior Executives ("Transaction") and Stock Ownership and Capital Accumulation Incentive Plan for the Non-Unionized Employees of Transat ("Transcapital")" of this Circular for a summary of the terms and conditions of this plan.

The following table sets forth, for each Named Executive Officer and the estimated value of each component of the Long-Term Incentive Program:

NAME	ANNUAL LONG-TERM INCENTIVE OPPORTUNITY(1)		
	OPTION GRANTS	RSU AWARD (2)	SHARE AWARD (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 at date of grant (2)] / salary	Par value (c) = [# of shares x price per share at date of award (3)] / salary
Jean-Marc Eustache	175.0%	30.0%	0.0%
Lina De Cesare	133.5%	26.6%	0.0%
Philippe Sureau	133.5%	26.6%	0.0%
Nelson Gentiletti	87.5%	15.0%	10.0%
François Laurin	75.0%	10.0%	10.0%

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

(2) The price per share for the Options granted and RSU awarded is determined according to the average weighted 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 "2009 Stock Option Plan" and the "Restricted Share Unit Plan" sections of this Circular).

(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 at the date of award is equal to the purchase price of the shares on the secondary market. See the "Share Purchase Plan for the Benefit of All Employees or Executives, Permanent Stock Ownership Incentive Plan for Senior Executives ("Transaction") and Stock Ownership and Capital Accumulation Incentive Plan for the Non-Unionized Employees of Transat ("Transcapital")" section of this Circular.

7.8.1 Stock Option Plans

7.8.1.1 Description of the Plans

On January 14, 2009, the Board of Directors approved a new 2009 Stock Option Plan and new stock option pool. Please refer to section 4.2 of this Circular for more details on the New Plan and to section 4.1 for details on the Former Plan. The Former Plan and the New Plan ("Stock Option Plans") allows the grant of stock options (the "Options") to beneficiaries, at a price per share equal to the average weighted trading price of Transat voting shares on the Toronto Stock Exchange over the five trading days preceding the granting of Options (the "exercise price").

The Board of Directors or, as the case may be, its Executive Committee, upon recommendation of the Human Resources and Compensation Committee, may determine the grant date or dates, the date on which the Options may vest, as well as, the frequency at which each of the holders may exercise their Options, based on the terms and conditions of the plan.

The Options thus granted under the Stock Option Plan expire ten (10) days after the grant date or before if the holder of the Options ceases to hold his position with Transat or one of its subsidiaries, or if he dies. The Options granted during the financial year 2008 may be exercised as follows: (i) 33 1/3% effective on the first anniversary of the grant date; (ii) 66 2/3% effective on the second anniversary of the grant date; and (iii) 100% effective on the third anniversary of the grant date.

During the financial year 2008 under the Former Plan, an aggregate of 259,181 Options were granted, including 148,058 to Named Executive Officers, representing 0.8% of the issued and outstanding shares as at October 31, 2008. As at October 31, 2008, an aggregate of 716,173 Options, representing approximately 2.19% of the total number of voting shares then outstanding, had been granted but had not yet been exercised. In addition, 610,611 voting shares were reserved and available for future option grants, for a total of 1,326,784 voting shares, or approximately 4.06% of the total number of voting shares issued and outstanding or available for purposes of the Stock Option Plan.

During the financial year 2008, an aggregate of 259,181 Options were granted under the Former Plan, including 148,058 of which 105,822 were granted at an exercise price of $21.36 and 5,301 were granted at an exercise price of $20.95. Six hundred and seventy-one (671) Options were cancelled and/or expired during this financial year, and 48,420 Options were exercised. Additional information on Options, including the weighted average exercise price of all outstanding Options as at October 31, 2008, may be found in our 2008 Annual Report available for consultation on the SEDAR website at www.sedar.com.

The Stock Option Plan contains change of control provisions that provide for the accelerated vesting of the Options in certain circumstances

7.8.1.2 Option Grants

Granting options is part of the Executive Compensation Long-Term Incentive Program. The role of the Vice-President, Human Resources, includes market research, preparation of the plan, and establishment of the participants and determination of the size of the grants and terms and conditions of the plan. The Senior Vice-President and Chief Financial Officer and the Vice-President, General Counsel and Corporate Secretary of the Corporation oversee respectively the financial and accounting aspects and the legal and regulatory aspects of the Stock Option Plan and the Options granted under the plan. The Stock Option Plan is then presented to the President and Chief Executive Officer, and then to the Human Resources and Compensation Committee, which chooses, at its discretion, to recommend its approval by the Board of Directors. The Vice-President, General Counsel and Corporate Secretary ensure that the necessary regulatory and shareholder approvals are secured and prepares the insider reports.

The number of Options granted is established according to the position and base salary of each participant and the exercise price.

The annual grant of Options is part of the annual review of executive compensation by the Human Resources and Compensation Committee. No grant is made on a discretionary basis. The Corporation may recommend approval by the Board of Directors of changes in the executive compensation plan, which may include changes in the Option granting policy. In other years, the numbers of Options are simply established by multiplying the granting factor applicable to the position held according to the granting policy approved by the Board of Directors by the participant's salary, and dividing the product by the exercise price at the grant date. In exceptional circumstances, Options may be granted to new hires. The list of grants proposed is presented for discussion to the Committee, which then reports to the next meeting of the Board of Directors.

All grants of Options under the New Plan will vest only if Transat achieves a certain level of return on shareholders' equity to be determined by our Board of Directors prior to each grant.

Option Grants During the Financial Year Ended October 31, 2008

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

Name	Securities Pursuant to Options Granted (#)	% of Total Options Granted to Employees in Financial Year	Exercise or Base Price (1) ($/Security)	Market Value of Securities Underlying Options on the Date of Grant ($/Security)	Expiration Date
Jean-Marc Eustache	62,266	24.02%	21.36	21.16	04-21-2018
Lina De Cesare	30,931	11.93%	21.36	21.16	04-21-2018
Philippe Sureau	28,786	11.11%	21.36	21.16	04-21-2018
Nelson Gentiletti	15,731	6.07%	21.36	21.16	04-21-2018
François Laurin	10,344	3.99%	21.36	21.16	04-21-2018

(1) Exercise Price means the average market price over the five-day period preceding the date of grant; this explains the difference with the market price on the date of grant.

Options exercised during the financial year ended October 31, 2008

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

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized ($)	Unexercised Options at FY End		Value of Unexercised In-the-Money Options at FY End (1) ($)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Jean-Marc Eustache	-	-	62,100	95,358	0	0
Lina De Cesare	15,378	179,392	26,810	46,444	0	0
Philippe Sureau	-	-	40,890	43,518	0	0
Nelson Gentiletti	3,334	35,007	7,774	24,006	0	0
François Laurin	-	-	5,875	16,188	0	0

(1) The value of unexercised in-the-money Options was calculated using the closing price of Transat Voting Shares on the TSX on October 31, 2008 (namely $ 11.36) less the exercise price of the in-the-money Options.

7.8.2 *Restricted Share Unit Plan*

On December 14, 2006, our Board of Directors adopted a performance-based Restricted Share Unit Plan (the "RSU Plan") for our executives and senior managers (salary grades 1 through 11) (each, a "Participant"), ensuring thereby that a portion of long-term compensation is directly linked to the creation of shareholder value.

The number of restricted share units ("RSUs") awarded to each Participant is a percentage of base salary divided by the weighted average trading price of our voting shares on the TSX for the five trading days preceding the date of award.

Performance-based RSUs vest to each Participant at the end of a three-year cycle based upon the achievement of average return on shareholders' equity ("Three-Year Average ROE") for the cycle, as follows:

i) All awarded RSUs vest upon the achievement of the target Three-Year Average ROE;

ii) No RSUs vest in the event performance is below the threshold Three-Year Average ROE;

iii) Vesting 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.

In the financial year 2008, an aggregate of 70,491 RSUs were awarded and may vest according to the following parameters:

PERFORMANCE LEVEL	AVERAGE ROE 2008-2010		VESTING (% OF RSUs AWARDED)	
	from	to	from	to
Above threshold	≥ 16.00% ≥ 15.25% ≥ 14.50% ≥ 13.25%	 < 16.00% < 15.25% < 14.50%	100.00% 75.00% 50.00% 37.50%	 < 100.00% < 75.00% < 50.00%
Threshold	≥ 12.00%	< 13.25%	25.00%	<37.50%
Below threshold		<12.00%	0.00%	

The following table sets forth the number of RSUs that have not vested as at October 31, 2008.

Cycle	Number of RSUs granted	Number of RSUs cancelled	Number of RSUs that have not vested as at October 31, 2008	Market value of RSUs that have not vested as at October 31, 2008	Scheduled vesting date
2008-2010	70,491	3,114	67,377	$ 765,403	October 31, 2010
2007-2009	68,459	8,944	59,515	$ 676,090	October 31, 2009
Cumulative	138,950	12,058	126,892	$ 1,441,493	N/A

(1) RSUs will vest only if Transat achieves predetermined performance objectives for each cycle.

7.8.3 *Share Purchase Plan for the Benefit of All Employees or Executives, Permanent Stock Ownership Incentive Plan for Senior Executives ("Transaction") and Stock Ownership and Capital Accumulation Incentive Plan for the Non-Unionized Employees of Transat ("Transcapital")*

The purpose of the Share Purchase Plan is to enable 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, less a 10% discount. No participant may sell all or any of the Voting Shares subscribed under this plan prior to July 1 of the year following that in which the shares were subscribed.

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

Notwithstanding the foregoing, a Participant may sell all of the Voting Shares subject to this plan prior to the July 1 date mentioned above should Transat be subject to a change of control.

During the financial year ended October 31, 2008, we issued 65,635 Voting Shares under the Share Purchase Plan and, as at October 31, 2008, we were authorized to issue a balance of 510,541 Voting Shares thereunder.

On October 29, 2008, the Board of Directors renewed the *Permanent Stock Ownership Incentive Plan* and the *Share Purchase Plan for the Benefit of All Employees or Executives* for a term of five years under the same terms and conditions as the previous Plan. On June 29, 1999, our Board of Directors adopted the initial Permanent Stock Ownership Incentive 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 Permanent Stock Ownership Incentive 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.

The objective of the Permanent Stock Ownership Incentive Plan is to encourage the participants to meet or exceed the Corporation's shareholding guidelines by awarding each eligible participant shares for which the total cost of purchase is equal to the percentage of salary invested by the said participant in the Share Purchase Plan for the Benefit of all Employees or Executives.

Accordingly, during the additional term above-mentioned, subject to participation in the Share Purchase Plan, the aggregate subscription price of which is equal to 5% or 10% of their salary, depending on the position held, Transat will award to each eligible executive officer a number of Voting Shares whose total purchase price on the secondary market is equal to the aforementioned percentage of salary contributed. 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 our 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, 2008, an aggregate of 23,045 restricted shares having an approximate value of $ 593,701 had been awarded. From that number of restricted shares, 9,889 will vest on January 10, 2009; 7,630 on January 10, 2010; 5,526 on January 10, 2011.

Further to the review of our Long-Term Incentive Program described above, no further cash payments in lieu of the award of shares under this Plan will be made to any of the Named Executive Officers.

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

On October 19, 2004, our Board of Directors also adopted the Stock Ownership and Capital Accumulation Incentive Plan for Managers, renamed Stock Ownership and Capital Accumulation Incentive Plan for the Non-Unionized Employees of Transat ("Transcapital") as of September 6, 2006. Since November 1, 2006, each eligible manager has the option to enrol in Transcapital through monthly contributions by means of payroll deductions of 1%, 2%, 3%, 4% or 5% of their base salary to Transat's Share Purchase Plan, for the purposes of subscribing to newly issued Voting Shares out of Transat's treasury at the then current market price, less a 10% discount. Transat awards to each Participant in salary grades 7 through 12 an additional number of shares purchased on the secondary market whose total purchase cost corresponds to between 25% and 60% of the Participant's monthly contribution, depending on the salary grade of his or her position. Such Participants may contribute more than 5% and up to 10% of their salary, but without benefiting from any award of additional shares by Transat above and beyond a contribution of 5% of their salary.

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

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

However, in the event of a change of control of Transat, any eligible participant 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, 2008, an aggregate of 5,972 restricted shares having an approximate value of $102,002 had been awarded. From that number of restricted shares, 1,882 will vest in January 2009; 2,221 in July 2009; 1,869 in January 2010; 1,163 in July 2010 and 11,200 in January 2011. Dividends are paid on such restricted shares.

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

7.8.4 Deferred Share Unit Plan

On May 18, 2004, our Board of Directors adopted a Deferred Share Unit Plan for Executive Officers (the “DSU Plan”) designed to reinforce the convergence of the interests of the executive officers with those of the shareholders through the holding of units of the same value as Transat voting shares as well as the interest of the executive officers in increasing the price of such voting shares. This plan was amended on June 8, 2005 and is renewable annually on its anniversary date. Under the DSU Plan, each executive officer may be awarded a number of DSUs each year.

However, further to the review of our Long-Term Incentive Program described above, DSU awards to all executives were discontinued as of November 1, 2006. Dividend equivalents continue to be converted into additional DSUs according to the terms and conditions of the plan.

7.9 Guidelines Governing the Ownership of Shares or DSUs

Guidelines governing the ownership of Transat shares or DSUs by executive officers require the latter to hold the equivalent of 2.0, 1.5, 1.0 or 0.5 times their base salary after five years in office, depending on the position held.

Name	**Guidelines governing the ownership of shares or DSUs**
	(multiple of the base salary)
Jean-Marc Eustache	2.0
Lina De Cesare	1.5
Philippe Sureau	1.5
Nelson Gentiletti	1.5
François Laurin	1.0

*** It should be noted that a number of directors no longer meet the limits established by the guidelines, particularly due to the important decrease in the price per share over the last year, although such individuals were meeting the said limits at the same time last year. On January 14, 2009, the Corporation decided to amend its guidelines to grant these individuals an additional period of 24 months in order to meet such limits.

7.10 Succession Planning

A significant challenge faced by all organizations is that of developing competent leaders and ensuring that there are candidates ready to assume key positions when need be. This is a risk management issue of concern to the Committee. For this purpose, in 2004 Transat launched 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. Furthermore, the strategy that upholds the Talent Management and Succession Planning process is reviewed on a yearly basis pursuant to the Committee’s regular work plan. In 2008, a Talent Management Committee, composed of all the presidents of subsidiaries and Vice-Presidents, Human Resources, was set up with the mandate to promote Transat’s talent development philosophy and coordinate the development efforts among the subsidiaries.

On the other hand, development plan tracking software was launched this fall and should allow us to increase the efficiency and pace of our executive development.

In 2008, Transat held its International Leaders’ Forum for its top 140 managers. The objectives of this meeting were to put into effect the strategic plan, to focus on one of its values, namely “Customer orientation”, and to foster a greater integration between business units. This is a very successful event and it is being held again in February 2009. In addition, Transat invests significantly in the general development of management competencies for all of its top managers. This involves almost 500 managers, worldwide, who attend on-site mandatory training; the curriculum includes, to date, coaching and employee development, performance management, process management, teamwork and effective meetings. Finally, a select number of employees attend external executive development events and other training activities, including individual coaching.

Report submitted on behalf of the Committee by:

JOHN D. THOMPSON (Chairman), H. CLIFFORD HATCH JR. AND DENNIS WOOD

8. COMPENSATION SUMMARY

8.1 Summary Compensation Table for Named Executive Officers

The following table sets forth the Total Compensation (as defined under the heading "Total Compensation Components ") paid during each of the last three financial years to the Chairman of the Board and Chief ExecutiveOfficer, the Chief Financial Officer and the three most highly compensated executive officers of Transat. The persons appearing in the table are the "Named Executive Officers".

NAME AND PRINCIPAL POSITION	FY	SALARY	SHARE-BASED AWARDS			OPTION-BASED AWARDS (4)(5)	SHORT-TERM INCENTIVE PROGRAM COMPENSATION (6)	PENSION PLAN VALUE (7)	ALL OTHER COMPENSATION (8)	TOTAL COMPENSATION
			RSUs (1)	TRANSACTION (2)	DSUs (3)					
		($)	($)	($)	($)	($)	($)	($)	($)	($)
Jean-Marc Eustache	2008	760,000	228,000	0	0	462,014	0	245,692	64,384	1,760,090
Chairman of the Board, President	2007	730,000	219,003	0	0	516,140	820,200	228,053	63,120	2,576,516
and CEO	2006	695,250	0	0	69,525	389,661	869,062	207,500	125,145	2,356,143
Lina De Cesare	2008	494,901	131,644	0	0	229,508	0	157,614	1,348	1,015,015
President, Tour Operators	2007	469,100	124,773	0	0	253,021	468,250	145,346	1,747	1,462,237
	2006	436,800	0	0	26,208	164,021	436,800	136,379	43,680	1,243,888
Philippe Sureau	2008	460,575	122,513	0	0	213,592	0	137,836	1,294	935,810
President, Distribution	2007	445,000	118,356	0	0	240,017	400,000	130,182	1,673	1,335,228
	2006	416,000	0	0	24,960	156,210	416,000	114,980	41,600	1,169,750
Nelson Gentiletti	2008	384,020	57,603	38,402	0	116,724	0	110,357	3,502	710,608
Executive Vice-President, Tour	2007	364,000	54,607	36,400	0	128,678	318,170	53,531	2,911	958,297
Operators	2006	350,000	0	32,423	21,000	98,082	294,092	43,566	1,586	840,749
François Laurin	2008	294,587	29,459	29,458	0	76,752	0	70,651	31,439	532,346
Vice-President, Finance and	2007	284,625	28,454	28,463	0	86,252	192,000	40,891	29,772	690,457
Administration, and CFO	2006	275,010	0	21,154	8,250	77,318	206,258	38,065	27,658	653,713

(1) The value of the RSUs awarded under the RSU Plan (as defined in the "Restricted Share Unit Plan" section of this Circular) is calculated by multiplying the number of units awarded to each Named Executive Officer by the weighted average trading price of the Voting Shares on the TSX for the five trading days preceding the date of the respective awards, namely $31.25 for 2008 ($30.27 for 2007).

(2) The value of the restricted shares awarded to each Named Executive Officer under the Permanent Stock Ownership Incentive Plan is equal to the total purchase cost of such shares on the TSX. See the ""Share Purchase Plan for the Benefit of All Employees or Executives, Permanent Stock Ownership Incentive Plan for Senior Executives ("Transaction") and Stock Ownership and Capital Accumulation Incentive Plan for the Non-Unionized Employees of Transat ("Transcapital")" section of this Circular.

(3) The value of the DSUs awarded under the DSU Plan (as defined in the "Deferred Share Unit Plan" section of this Circular) is calculated by multiplying the number of units awarded to each Named Executive Officer by the weighted average trading price of the Voting Shares on the TSX for the five trading days preceding the date of the respective awards, namely $22.66 for 2006. DSU grants were suspended as of November 1, 2006 pursuant to the introduction of the RSU Plan (as explained in the "Long-Term Incentive Program" section of this Circular). Dividend equivalents are converted into additional DSUs. DSUs vest upon a director or officer leaving his or her position

(4) Options may be exercised as follows: (i) 33 1/3% effective from the first anniversary of the grant date; however, 33 1/3% of the Options granted before May 2, 2007 may be exercised effective from the grant date; (ii) 66 2/3% effective from the second anniversary of the grant date; and (iii) 100% effective from the third anniversary of the grant date. (See the "Stock Option Plan" section of this Circular).

(5) 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:

	2008	2007	2006
Risk-free rate:	3.66%	4.18%	4.48%
Dividend yield:	1.70%	0.97%	0%
Volatility (60 months):	37.60%	40.00%	55.60%
Expected lifetime:	6 years	6 years	6 years
Fair value per option:	$7.42	$15.05	$12.70

(6) See the "Short-Term Incentive Program" section of this Circular.

(7) The value of the retirement plan represents, for each financial year, the sum of the "change attributable to compensatory items" of the Retirement Benefits Plan (defined benefits plan) and the "compensatory amount" of the pension plan (defined contributions plan), as presented for the financial year 2008, in the tables of the "Pension Plan Benefits" section of this Circular. For each financial year, the amount of the "change attributable to compensatory items" was established according to the same actuarial assumptions as those which served to establish the obligation in respect of the accrued retirement benefits presented in Transat's financial statements for the financial years ended on October 31, 2008, 2007 and 2006 respectively, in accordance with generally accepted accounting principles. See the "Pension Plan Benefits" section of this Circular.

(8) For all Named Executive Officers, value of the dividends paid on the shares held in Transaction and reinvested in additional shares (see the "Share Purchase Plan for the Benefit of All Employees or Executives, Permanent Stock Ownership Incentive Plan for Senior Executives ("Transaction") and Stock Ownership and Capital Accumulation Incentive Plan for the Non-Unionized Employees of Transat ("Transcapital")" section of this Circular) and value of the dividend equivalents converted into additional DSUs (See

the "Restricted Share Unit Plan" section of this Circular). For Messrs. Eustache and Laurin, the amounts also include the value of the perquisites paid under the terms of the Perquisites Program. In no case shall the individual value of a benefit exceed 25% of the total value of the reported benefits. For the other Named Executive Officers, the value of the perquisites paid under the terms of the Perquisites Program is lower than the minimum thresholds established for reporting purposes. (See the "Perquisites Program" section of this Circular).

Name	FY	Payment in lieu of share award in Transaction ($)	Dividends reinvested in Transaction ($)	Dividend equivalents converted into additional DSUs ($)	Perquisites ($)	Tota ($)l
Jean-Marc Eustache	2008	0	0	3,658	60,726	64,384
	2007	0	0	4,720	58,400	63,120
	2006	69,525	0	0	55,620	125,145
Lina De Cesare	2008	0	0	1,348	0	1,348
	2007	0	0	1,747	0	1,747
	2006	43,680	0	0	0	43,680
Philippe Sureau	2008	0	0	1,294	0	1,294
	2007	0	0	1,673	0	1,673
	2006	41,600	0	0	0	41,600
Nelson Gentiletti	2008	0	2,808	699	0	3,502
	2007	0	2,019	892	0	2,911
	2006	0	1,586	0	0	1,586
François Laurin	2008	0	1,762	249	29,428	31,439
	2007	0	987	348	28,437	29,772
	2006	0	158	0	27,500	27,658

8.2 Grants under an Incentive Plan

8.2.1 Outstanding Option-Based and Share-Based Grants

The following table sets forth, for each Named Executive Officer, all the option-based and share-based grants and awards outstanding at the end of the financial year 2008.

NAME	OPTION-BASED GRANTS				SHARE-BASED GRANTS AND AWARDS		
	Securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options (1)	Shares that have not vested as at October 31, 2008 (2)	Restricted share units (RSUs) that have not vested as at October 31, 2008 (3)	Market or payout value of share-based grants and awards that have not vested (4)
	(#)	($)/Security		($)	(#)	(#)	($)
Jean-Marc Eustache	30,215 30,682 34,295 62,266	22.34 22.66 37.25 21.36	May 11, 2015 May 3, 2016 May 2, 2017 April 21, 2018	0.00	0	7,235 7,296	165,072
Lina De Cesare	12,596 12,915 16,812 30,931	22.34 22.66 37.25 21.36	May 11, 2015 May 3, 2016 May 2, 2017 April 21, 2018	0.00	0	4,122 4,213	94,686
Philippe Sureau	15,378 11,996 12,300 15,498 28,786	15.68 22.34 22.66 37.25 21.36	May 18, 2014 May 11, 2015 May 3, 2016 May 2, 2017 April 21, 2018	0.00	0	3,910 3,920	88,949
Nelson Gentiletti	2,350 5,149 8,550 15,731	22.34 22.66 37.25 21.36	May 11, 2015 May 3, 2016 May 2, 2017 April 21, 2018	0.00	2,863	1,804 1,843	79,954
François Laurin	1,942 4,046 5,731 10,344	21.46 22.66 37.25 21.36	May 24, 2015 May 3, 2016 May 2, 2017 April 21, 2018	0.00	2,239	940 943	46,826

(1) None of the Options not exercised at the end of the financial year is in-the-money, given that the closing price of the Voting Shares on the TSX Index on October 31, 2008, namely $11.36, is lower than their respective exercise price. Any actual gain, if any, realized upon exercise, will depend on the value of the Voting Shares at the Option exercise date. (See the "Stock Option Plan" section of this Circular).

(2) Shares awarded annually under the Permanent Stock Ownership Incentive Plan. The number includes a portion of the grants made in the financial years 2006, 2007 and 2008. The vesting of the shares is based on time. (See the ""Share Purchase Plan for the Benefit of All Employees or Executives, Permanent Stock Ownership Incentive Plan for Senior Executives ("Transaction") and Stock Ownership and Capital Accumulation Incentive Plan for the Non-Unionized Employees of Transat ("Transcapital")" of this Circular).

(3) RSUs granted annually under the RSU Plan. The number includes the grants made in the financial years 2007 and 2008. The vesting of the RSUs depends exclusively on the degree of achievement of the Corporation's average return on equity during a cycle of three financial years during which the Options are granted. (See the "Restricted Share Unit Plan" section of this Circular).

(4) The market or pay-out value of the share-based grants and awards that have not vested is the number of shares and RSUs multiplied by the closing price of the Voting Shares on the TSX Index on October 31, 2008, namely $11.36.

8.2.2 *Grants under Incentive Plans – Value Vested or Earned During the Financial Year*

The following table sets forth, for each Named Executive Officer, the value vested for all the grants and the disbursement of the bonus during the financial year 2008.

NAME	Option-based grants – Value vested during the year (1)	Share-based grants – Value vested during the year (2)	Non-equity incentive plan compensation – Value earned during the year (3)
	($)	($)	($)
Jean-Marc Eustache	0	0	0
Lina De Cesare	0	0	0
Philippe Sureau	0	0	0
Nelson Gentiletti	0	39,909	0
François Laurin	0	20,064	0

(1) The Options granted under the terms of the Stock Option Plan may be exercised as follows: (i) 33 1/3% effective from the first anniversary of the grant date; however, 33 1/3% of the Options granted before May 2, 2007 may be exercised effective from the grant date; (ii) 66 2/3% effective from the second anniversary of the grant date; and (iii) 100% effective from the third anniversary of the grant date. (See the "Stock Option Plan" section of this Circular). The following table sets forth the details of the Options that have vested during the financial year:

Name	Options that have vested during the year	Exercise price	Vesting date	Expiration date	Closing price on the date of vesting or last trading day before the date of vesting	Value vested during the year
Jean-Marc Eustache	11,431	$37.25	May 2, 2008	May 2, 2017	$21.11	0
	10,227	$22.66	May 3, 2008	May 3, 2016	$21.11	0
	10,072	$22.34	May 11, 2008	May 11, 2015	$21.92	0
Lina De Cesare	5,604	$37.25	May 2, 2008	May 2, 2017	$21.11	0
	4,305	$22.66	May 3, 2008	May 3, 2016	$21.11	0
	4,199	$22.34	May 11, 2008	May 11, 2015	$21.92	0
Philippe Sureau	5,316	$37.25	May 2, 2008	May 2, 2017	$21.11	0
	4,100	$22.66	May 3, 2008	May 3, 2016	$21.11	0
	3,999	$22.34	May 11, 2008	May 11, 2015	$21.92	0
Nelson Gentiletti	2,850	$37.25	May 2, 2008	May 2, 2017	$21.11	0
	2,574	$22.66	May 3, 2008	May 3, 2016	$21.11	0
	2,350	$22.34	May 11, 2008	May 11, 2015	$21.92	0
François Laurin	1,910	$37.25	May 2, 2008	May 2, 2008	$21.11	0
	2,023	$22.66	May 3, 2008	May 3, 2016	$21.11	0
	1,942	$21.46	May 24, 2008	May 24, 2015	$21.06	0

(2) The amounts represent the value of the shares that have vested in 2008 under the Permanent Stock Ownership Incentive Plan (see the "Permanent Stock Ownership Incentive Plan for Senior Executives and Share Purchase Plan for the Benefit of All Employees or Executives" section of this Circular). No RSU has vested as at October 31, 2008, since the cycle of three financial years of the first RSUs granted under the RSU Plan will end on October 31, 2009. (See the "Restricted Share Unit Plan" section of this Circular.)

(3) See the "Short-Term Incentive Program" section of this Circular.

9. PENSION PLAN BENEFITS

9.1 Defined Benefits Retirement Plan

We have entered into a standard retirement agreement with certain of our executive officers (a "Participant") regarding a defined benefits retirement plan (the "Retirement Benefits Plan"), in order to provide the Participant with monthly retirement income for life. The standard retirement agreements described below were presented to the Board and adopted on May 1, 1999, to be progressively implemented over a number of years ending in November 2004. At the beginning of 2009, all the individual agreements will be harmonized and drafted according to a single outline.

Under the terms of the Retirement Benefits Plan, the Participant is eligible, starting at the age of 65 and for the remainder of his or her life, to a monthly retirement allowance. The amount of this allowance is established according to a percentage of the average eligible earnings (see Note 1 of the table below), which include the sum of the salary and the target bonus, multiplied by the number of eligible years of service.

The percentage applicable to each participant varies based on the number of years of eligible service. For example:

i) 1.5% for a Participant with less than 10 years of eligible service;

ii) 1.75% for a Participant with more than 15 years but less than 20 years of eligible service;

iii) 2.0% for a Participant with more than 23 years of eligible service.

The amount of the retirement allowance payable by the Corporation is reduced by the sum of the following benefits:

i) the retirement benefit payable upon turning 65 under the Transat's pension plan for non-unionized employees (the "Pension Plan"), which is the actuarial equivalent value of the amount accrued by the Participant on the date of his or her retirement under this Pension Plan, consisting of a group registered retirement savings plan and of a deferred profit sharing plan; and

ii) 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 Retirement Benefits Plan also contains the following terms and conditions:

i) Unless the Participant gives prior written notice to Transat, the retirement allowance is payable on a monthly basis to the Participant throughout his or her lifetime, commencing the first day of the month that coincides with, or immediately follows, the date of his or her retirement and that ends on the first day of the month following the date of his or her death. In the event that the Participant dies within the first 120 months following the date of his retirement, monthly payments will continue to be made to the Participant's beneficiary until the 120 monthly payments are exhausted. In the event that the Participant gives us such notice prior to the date of his or her retirement, the monthly payments may be made according to any other equivalent form of monthly payment usually available upon retirement and acceptable to Transat.

ii) 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 allowance is reduced by 5/12% for every full month that the retirement was taken before the Participant's 60th birthday. Where early retirement is taken between the ages of 60 and 65, no reduction applies to the retirement allowance. Furthermore, for Participants with over 20 eligible years of service credited, if early retirement is taken upon the date where the sum of age attained plus eligible years of credited service = 85 (provided the Participant is at least age 55), no reduction applies to the retirement allowance.

iii) Payment to the Participant of a retirement allowance is conditional on his or her continuous and uninterrupted participation in the Pension Plan until the date of his or her retirement, at the prescribed contribution level required under the terms thereof.

iv) 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 allowance 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 Pension Plan, which results in the automatic cancellation of the Participant's right to any retirement allowance pursuant to the standard retirement agreement.

All obligations stemming from the retirement allowances are guaranteed by an irrevocable letter of credit held by a third party trustee. This letter of credit can be drawn in the case of:

i) default of payment by Transat under the Retirement Benefits Plan;

ii) change of control (this expression having the same meaning as in the Share Purchase Plan);

iii) insolvency or bankruptcy; or

iv) upon Transat's failure to renew the said letter of credit

Retirement benefits constitute an integral part of the overall compensation of our executives. In considering the value of the retirement benefits provided to the executives, the Human Resources and Compensation Committee takes into account the annual service cost, the accrued obligation associated with the retirement allowance, as well as the annual allowance that would be available to the executive upon retirement.

The following table illustrates, for the Named Executive Officers, the annualized eligible earnings, eligible years of service and estimated annual retirement allowance payable at age 65 accrued as at October 31, 2008 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 obligation from October 31, 2007 to October 31, 2008, including the annual cost attributable to compensatory items for the 2008 financial year. These amounts were calculated using the same actuarial assumptions used for determining the accrued pension obligation at year-end presented in our financial statements for the financial year ended October 31, 2008, in accordance with generally accepted accounting principles.

Name	Eligible earnings (1)	Years credited (2)	Annual lifetime benefits payable at age 65, based on participation (3)		Accrued pension obligation (4)	Change attributable to compensatory items (5)	Change attributable to non-compensatory items (6)	Accrued pension obligation (4)
	($)	(#)	($)		($)	($)	($)	($)
	For FY 2008	As at October 31, 2008	As at October 31, 2008	Until age 65	As at October 31, 2007	For FY 2008	For FY 2008	As at October 31, 2008
Jean-Marc Eustache	1,032,075	29.771	614,518	702,302	6,759,000	234,000	(870,000)	6,123,000
Lina De Cesare	605,584	27.655	334,949	431,875	3,939,000	150,000	(449,000)	3,640,000
Philippe Sureau	577,801	29.771	344,034	414,365	3,676,000	129,000	(452,000)	3,353,000
Nelson Gentiletti	450,159	6.181	41,736	215,480	250,000	103,000	(99,000)	254,000
François Laurin	364,421	3.437	18,788	126,631	91,000	65,000	(46,000)	110,000

(1) The average eligible earnings are equal to the average of the Participant's five years of eligible service in which the aggregate of his or her base salary and target bonus under Transat's Short-Term Incentive Program are the highest.

(2) The number of credited years of service is the aggregate of the number of calendar years and fraction of calendar years served with Transat by the Participant.

(3) Represent the benefits payable at age 65 based on the average final salary and the participation at the forecast date and without subtracting the benefits coming from the Pension Plan and the Quebec Pension Plan.

(4&5) Accrued pension obligation is the value of the projected pension earned for service up to October 31, 2007 or October 31, 2008, accounting for the benefits of the Pension Plan and the Quebec Pension Plan. The change attributable to compensatory items is equal to the cost of the services rendered during the financial year, after deducting the employee contributions, to which are added the changes affecting the plan and the differences between actual and estimated earnings. These estimated amounts have been calculated by retirement plan actuaries, using the same actuarial assumptions used for the accrued pension obligation presented in Transat's financial statements for the financial years ended October 31, 2007 and October 31, 2008, respectively, in accordance with generally accepted accounting principles and the valuation makes no allowance for potential differences in tax treatment.

(6) The change attributable to non-compensatory items includes all amounts attributable to interest accruing on the beginning-of-year obligation, changes in the actuarial assumptions and other experience gains and losses.

The following table indicates the estimated annual retirement allowances(1) payable to the Named Executive Officers upon retirement at the age of 65 in respect of a specific amount of average eligible earnings and eligible years of service pursuant to the standard retirement agreement.

Average Eligible Earnings	Eligible Years of Service				
	15	20	25	30	35
$400,000	$105,000	$145,000	$200,000	$240,000	$280,000
$500,000	$131,250	$181,250	$250,000	$300,000	$350,000
$600,000	$157,500	$217,500	$300,000	$360,000	$420,000
$700,000	$183,750	$253,750	$350,000	$420,000	$490,000
$800,000	$210,000	$290,000	$400,000	$480,000	$560,000
$900,000	$236,250	$326,250	$450,000	$540,000	$630,000
$1,000,000	$262,500	$362,500	$500,000	$600,000	$700,000
$1,100,000	$288,750	$398,750	$550,000	$660,000	$770,000

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

9.2 Defined Contribution Pension Plan

The following table sets forth the changes in the sums accumulated in the Pension Plan between October 31, 2007 and October 31, 2008, including the Corporation's contributions for the financial year 2008.

Name	Accumulated value as at October 31, 2008	Compensatory amount(1)		Non-compensatory amount(2)	Accumulated value as at October 31, 2008
Jean-Marc Eustache	310,574	11,692		(193)	322,073
Lina De Cesare	257,549	7,614		(36,142)	229,021
Philippe Sureau	300,403	8,836		16,281	325,520
Nelson Gentiletti	81,026	7,357		(9,235)	79,148
François Laurin	27,441	5,651		(2,134)	30,958

(1) Represents the employer contributions, namely 2% of the participant's base salary.

(2) Represents the employee contributions, namely 2% of the participant's base salary, and the regular investment income from the employer contributions and the employee contributions.

10. Termination and Change of Control Benefits

10.1 Termination Benefits

We also 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. The standard agreements were 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 standard agreement stipulates that, should we terminate the employment of an executive officer (otherwise than for cause or further to his or her disability or death) or should the executive officer terminate his or her employment for a "sufficient reason" (as defined in the agreement), the executive officer would be entitled to the payment of a severance package following the termination of employment. The severance package consists primarily of the following elements, depending on the position held by the executive officer:

(i) A lump sum amount equal to the base salary of the Named Executive Officer for a period of 12, 18 or 24 months, plus one month for each full year of service, up to a maximum period of 18, 30 or 36 months; and

(ii) A lump sum amount equal to the target bonus applicable to his or her position for the period set out in (i) above.

The executive officer undertakes not to solicit our customers or employees for a period equal to the maximum severance period (18, 30 or 36 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, 18 or 24 months).

The following table sets forth the termination benefits that would have been paid in the circumstances described above, assuming that the termination would have occurred on October 31, 2008:

Name	Termination benefits (1)			Stock Options (2)	Restricted shares (3)	RSUs (4)
	Formula	Severance period according to years of service as at October 31, 2008	($)	($)	($)	($)
Jean-Marc Eustache	24 months + 1 month per year of service, maximum 36 months	36 months	3,420,000	0.0	0.0	0.0
Lina De Cesare	18 months + 1 month per year of service, maximum 30 months	30 months	1,732,154	0.0	0.0	0.0
Philippe Sureau	18 months + 1 month per year of service, maximum 30 months	30 months	1,612,013	0.0	0.0	0.0
Nelson Gentiletti	12 months + 1 month per year of service, maximum 18 months	18 months	777,641	0.0	0.0	0.0
François Laurin	12 months + 1 month per year of service, maximum 18 months	15 months	478,704	0.0	0.0	0.0

(1) The amount of the termination benefit in circumstances other than those stipulated in the event of a “hostile or unsolicited” takeover of Transat includes the base salary and the target bonus for the severance period prescribed under the terms of the individual agreements described above. The following events can also constitute a change of control following which Options will vest: if substantially all of the assets of Air Transat A.T. Inc. or Transat Tours Canada Inc. are sold or assigned and if assets of Transat representing 10% or more of the book value of all the assets of Transat or if securities entitling the holder thereof to exercise 10% or more of the aggregate voting rights for the election of the directors of Transat, have been transferred pursuant to a take-over, seizure or dispossession, resulting or related to: (a) nationalisation, expropriation, confiscation, coercion, force, constraint or any other similar action, or (b) introduction of a tax, assessment, or any other charge or levy for seizure.

(2) The vesting of the Options is not accelerated within the context of a termination of employment in circumstances other than those stipulated in the event of a “hostile or unsolicited” takeover of Transat. The following events can also constitute a change of control following which Options will vest: if substantially all of the assets of Air Transat A.T. Inc. or Transat Tours Canada Inc. are sold or assigned and if assets of Transat representing 10% or more of the book value of all the assets of Transat or if securities entitling the holder thereof to exercise 10% or more of the aggregate voting rights for the election of the directors of Transat, have been transferred pursuant to a take-over, seizure or dispossession, resulting or related to: (a) nationalisation, expropriation, confiscation, coercion, force, constraint or any other similar action, or (b) introduction of a tax, assessment, or any other charge or levy for seizure.

(3) The vesting of the shares awarded under the terms of the Permanent Stock Ownership Incentive Plan and subscribed for under the terms of the Share Purchase Plan is not accelerated within the context of a termination of employment in circumstances other than those stipulated in the event of a “hostile or unsolicited” takeover of Transat. (See the "Permanent Stock Ownership Incentive Plan for Senior Executives and Share Purchase Plan for the Benefit of All Employees or Executives” section of this Circular). The following evements can also constitute a change of control following which shares will vest: if assets of Transat representing 10% or more of the book value of all the assets of Transat or if securities entitling the holder thereof to exercise 10% or more of the aggregate voting rights for the election of the directors of Transat, have been transferred pursuant to a take-over, seizure or dispossession, resulting or related to: (a) nationalisation, expropriation, confiscation, coercion, force, constraint or any other similar action, or (b) introduction of a tax, assessment, or any other charge or levy for seizure.

(4) The vesting of the RSUs granted under the terms of the RSU Plan is not accelerated within the context of a termination of employment in circumstances other than those stipulated in the event of a “hostile or unsolicited” takeover of Transat. (See the "Restricted Share Unit Plan” section of this Circular).

(5) The Human Resources and Compensation Committee adopted modifications regarding the severance pay following termination of employment of the three founders.

10.2 Termination Benefits in the Event of a Change of Control of Transat

We 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, as defined in such agreement. These standard agreements were entered into in order to ensure that such executive officers would continue to adequately see to the best long-term interests of Transat.

For the purposes of the standard agreement, an acquisition of control occurs when an event or series of events that are unsolicited by Transat, with the exception of events listed at subsection (iv) below, triggers a change of control of Transat. A “change of control” means a situation which creates a *de facto* control of Transat other than what was in place at the time of the coming into force of the standard agreement, either directly or indirectly, through the ownership of securities, by way of agreement or in any other manner whatsoever. Without limiting the generality of the foregoing, the following events shall be considered an acquisition of control:

(i) if a person proceeding by way of a public offering in conformity with the provisions of the *Securities Act* (Québec) becomes the owner or beneficial owner of a number of our securities which represents 20% or more of the voting rights for the election of our directors, except for the RSU Plan;

(ii) if a person, through transactions on the stock markets, by way of private sale or by any other manner directly or indirectly acquires ownership or beneficial ownership of a number of our securities which represents 20% or more of the voting rights for the election of our directors, except for the RSU Plan;

(iii) if individuals who constitute our Board of Directors at the moment of coming into force of the standard agreement, and any new director whose nomination by the Board of Directors or proposed nomination to the election of the Board of Directors by our shareholders was approved by a vote of at least three-quarters of the directors comprising the incumbent board at the moment of coming into force of the standard agreement, or whose nomination or proposed election by our shareholders was approved in such a way subsequently, cease for any reason to constitute at least a majority of the members of the Board of Directors; or

(iv) if our assets representing 50% or more of the book value of all our assets 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 substantially all of the assets of Air Transat A.T. Inc. or Transat Tours Canada Inc. are sold or assigned.

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 Named 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 Named Executive Officer will be entitled to the payment of a severance package following termination of his employment. The severance package is primarily composed of the following elements, depending on the position held by the Named Executive Officer:

(i) A lump sum amount equal to the base salary of the Named Executive Officer for a period of 18 or 24 months, plus one month for each full year of service, up to a maximum period of 24, 30 or 36 months; and

(ii) A lump sum amount equal to the target bonus applicable to his or her position for the period set out in (i) above.

The Named Executive Officer cannot draw any benefit from the agreement unless there is an acquisition of control of Transat and termination of his or her employment occurs as described in the standard agreement prior to its expiration. The standard agreement also contains non-solicitation and non-competition undertakings that apply following termination of employment. Accordingly, the Named Executive Officer undertakes not to solicit our customers or employees for a period equal to the maximum severance period (24, 30 or 36 months) and not to enter into competition with Transat in certain jurisdictions.

The following table sets forth the benefits that would have been paid following a change of control in the circumstances described above, assuming that the change of control would have occurred on October 31, 2008:

Name	Change of control benefits(1)			Stock Options (2)	Restricted shares (3)	RSUs (4)
	Formula	Number of months accumulated as at October 31, 2008	($)	($)	($)	($)
Jean-Marc Eustache	24 months + 1 month per year of service, maximum 36 months	36 months	3,420,000	-	-	165,072
Lina De Cesare	18 months + 1 month per year of service, maximum 30 months	30 months	1,732,154	-	-	94,686
Philippe Sureau	18 months + 1 month per year of service, maximum 30 months	30 months	1,612,013	-	-	88,949
Nelson Gentiletti(5)	12 months + 1 month per year of service, maximum 24 months	24 months	1,036,854	-	32,524	41,430
François Laurin	12 months + 1 month per year of service, maximum 24 months	21 months	670,185	-	25,435	21,391

(1) The amount of the termination benefit following a change of control of Transat as defined under the terms of the individual agreements described above includes the base salary and the target bonus for the severance period prescribed under the terms of these same individual agreements.

(2) The Stock Option Plan provides for the immediate vesting of the outstanding Options in the event of a change of control, as defined in the individual agreements described above (see the "2009 Stock Option Plan" section of this Circular).

(3) The Permanent Stock Ownership Incentive Plan and the Share Purchase Plan provide for the immediate vesting of the shares awarded and subscribed under the terms of these Plans in the event of a change of control as defined in the individual agreements described above (see the "Permanent Stock Ownership Incentive Plan for Senior Executives and Share Purchase Plan for the Benefit of All Employees or Executives" section of this Circular).

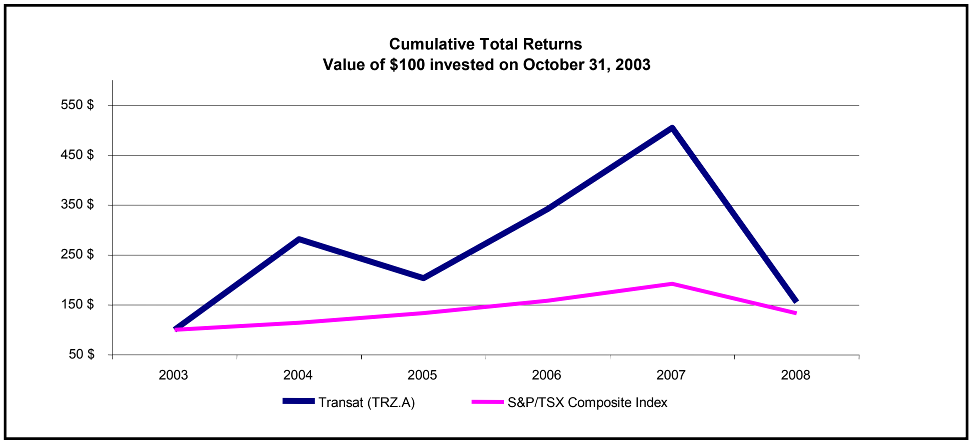
(4) The RSU Plan provides for the immediate vesting of the outstanding RSUs in the event of a change of control as defined in the individual agreements described above (see the "Restricted Share Unit Plan" section of this Circular).

(5) In November 2008, changes were made to the agreement with Mr. Nelson Gentiletti in the event of termination of his employment following a change of control. These changes mainly include certain increases of the termination benefits, namely in the event of a change of control. In the event of termination of his employment without cause during the year, after the date of a change of control, the rate applicable to the retirement formula will be 2%.

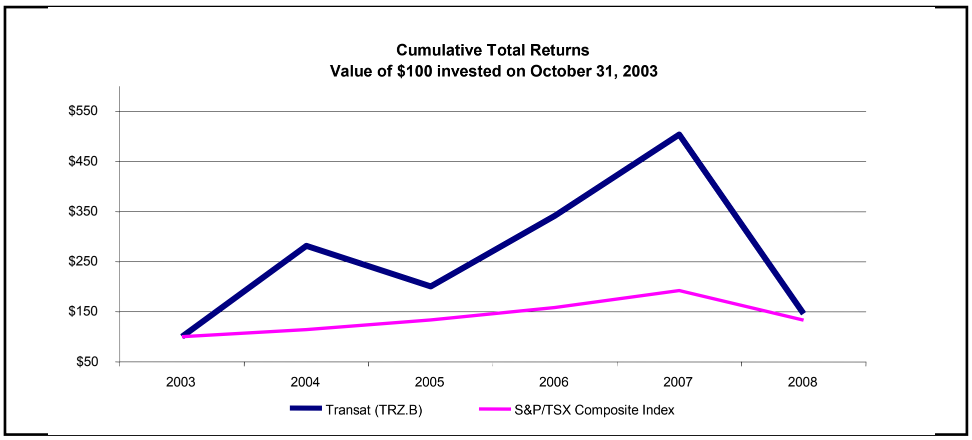
11. PERFORMANCE GRAPHS

The first graph illustrates the cumulative total return, over a period of five years, of a $100 investment in our Variable Voting Shares (which are listed under the symbol TRZ.A) as compared to the S&P/TSX Composite Index. The year-end values of each investment are based on share appreciation plus dividends paid in cash, the dividends having been reinvested on the date they were paid. The calculations exclude brokerage fees and taxes. Total shareholder returns from each investment can be calculated from the year-end investment values shown below the graph.

The second graph illustrates the cumulative total return, over a period of five years, of a $100 investment in our Voting Shares (which are listed under the symbol TRZ.B) as compared to the S&P/TSX Composite Index. The year-end values of each investment are based on share appreciation plus dividends paid in cash, the dividends having been reinvested on the date they were paid. The calculations exclude brokerage fees and taxes. Total shareholder returns from each investment can be calculated from the year-end investment values shown below the graph.



	FINANCIAL YEAR ENDED					
	October 31, 2003	October 31, 2004	October 31, 2005	October 31, 2006	October 31, 2007	October 31, 2008
TRZ.A	$100	$282	$204	$342	$505	$156
S&P/TSX Composite Index	$100	$114	$134	$158	$192	$133



	FINANCIAL YEAR ENDED					
	October 31, 2003	October 31, 2004	October 31, 2005	October 31, 2006	October 31, 2007	October 31, 2008
TRZ.B	$100	$282	$201	$342	$504	$146
S&P/TSX Composite Index	$100	$114	$134	$158	$192	$133

The trend shown by the above performance graph is a progression of the cumulative return realized by the shareholders between 2003 and 2007, despite a slight regression suffered in the financial year 2005. These four years of prosperity were followed by a downturn starting at the beginning of the last financial year. The trend regarding the compensation of the Corporation's Named Executive Officers was parallel to that of the performance graph, on the whole. No annual bonus was paid for the financial years 2005 and 2008. However, the salaries continued to increase annually with the salary increases forecast on the market for positions of comparable responsibility. Beginning in the financial year 2007, following the annual review of the positioning of compensation within the comparison group, the Corporation increased the long-term incentive opportunity with the aim of bringing the Total Compensation closer to our target positioning within our comparison group and strengthening the link between the Total Compensation and the value created for the shareholders. Nonetheless, the base salary and the components of the Short-Term and Long-Term Incentive Programs remain at a level between the first quartile and the median of the comparison group for target results. Moreover, the Option and RSU grants and the share awards under the terms of the Permanent Stock Ownership Incentive Plan are based on the market price of the Corporation's shares at the time of the grant and awards and thus in agreement with the trend of the above graph. Furthermore, the vesting of the totality of the RSUs awarded depends on the achievement of the average return on equity targeted by the Corporation.

12. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of our current directors, executive officers and employees or those of our subsidiaries, and none of our former executive officers, directors and employees or those of our subsidiaries, is indebted to us or any one of our subsidiaries, or has contracted any loan that is secured by a security interest, a support agreement, a letter of credit or other similar arrangement on our part or on the part of any of our subsidiaries. Pursuant to our Corporate Governance Manual, it is our policy not to grant any loans, whether or not secured by a securities interest, a support agreement, a letter of credit or other similar arrangement on 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.

13. DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

We have taken out an insurance policy at our own expense that covers the liability of our directors and officers, in their capacities as such. This insurance policy also covers the directors and officers of our subsidiaries. For the twelve-month period ending on March 31, 2009, our insurance policy provides a maximum coverage of $50,000,000 per claim, subject to a deductible of $250,000 payable by Transat. The premium paid under the policy for twelve months coverage is $280,015. Please note that the date of November 30 mentioned is no longer applicable, as we have changed the insurance policy to cover the period from April 1 to March 31.

14. ADDITIONAL INFORMATION

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

The financial information of Transat can be found in the comparative financial statements and MD&A for our last financial year.

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

15. SHAREHOLDER PROPOSALS

We will examine shareholder proposals to be included in next year's Management Proxy Circular for the annual meeting of shareholders of 2010. Please forward us your proposals before October 24, 2009.

APPROVAL OF THE MANAGEMENT PROXY CIRCULAR

The content and the sending of this Circular have been approved by our directors.

Montréal, January 21, 2009

BY ORDER OF THE BOARD OF DIRECTORS
Transat A.T. Inc.

Bernard Bussières
Vice-President, General Counsel and Corporate Secretary

SCHEDULE A–
RESOLUTION OF THE VOTING SHAREHOLDERS OF TRANSAT A.T. INC. (THE "CORPORATION")

APPROVAL OF THE 2009 STOCK OPTION PLAN

WHEREAS the Board of Directors of the Corporation has approved, on January 14, 2009, the 2009 Stock Option Plan, (the "New Plan"), as more particularly described in the Management Proxy Circular of the Corporation dated January 21, 2009 (the "Circular"); and

WHEREAS the Corporation, pursuant to the rules and policies of the Toronto Stock Exchange, wishes to obtain the requisite shareholder approval of the New Plan.

RESOLVED THAT:

1. the New Plan, substantially as set forth in the Circular be and is hereby ratified, confirmed and approved;

2. any director or officer of the Corporation be and he is hereby authorized to sign all documents, do all acts and do all things necessary or useful, in his own discretion, in order to give effect to this resolution; and

3. the directors of the Corporation may in their discretion revoke this resolution before it is implemented, without further notice to, or approval of the shareholders of the Corporation.

SCHEDULE B –
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 is 1,945,000 subject to any adjustment pursuant to the provisions of Section 8.

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 ten (10) 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 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. 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 if 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 January 14, 2009 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 January 14, 2009, 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

SCHEDULE C –
CORPORATE GOVERNANCE PRACTICES

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

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

Corporate Governance Disclosure

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

Requirement	Implementation by the Corporation
1. Board of Directors	
a) Disclose the identity of directors who are independent.	For the financial year ended October 31, 2008, the Board of Directors is composed of eleven directors, of whom eight are independent, namely André Bisson, John P. (Jack) Cashman, H. Clifford Hatch Jr., Jacques Simoneau, John D. Thompson, Dennis Wood and Jean Pierre Delisle. Mr. Jean Guertin passed away on November 6, 2008. It should be noted that for purposes hereof Mr. Jean-Yves Leblanc is also considered independent.
b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	The directors who are not independent are the founders and current members of management of Transat: (i) Jean-Marc Eustache, Chairman of the Board and President and Chief Executive Officer, (ii) Lina De Cesare, President – Tour Operators and (iii) Philippe Sureau, President – Distribution.
c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the board) does to facilitate its exercise of independent judgement in carrying out its responsibilities.	The majority of Transat's directors, eight of eleven, are independent directors as defined in Multilateral Instrument 52-110 of the CSA.
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.	See the extensive description of directors' tenure as members of the boards of other reporting issuers in section 2 of this Circular.
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.	Directors, at their sole discretion, are able to hold "In Camera" sessions, in the absence of non-independent directors or senior executives of the Corporation, at every regularly scheduled board meeting and also when the need arises. Since November 1, 2007, the Board has held nine meetings, each having an agenda which specifically provides for an "In Camera" session. Independent directors held six "In Camera" sessions since November 1, 2007, including the session referred to under paragraph (f) hereinafter regarding the assessment of the Chairman, President and Chief Executive Officer.
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	The Chairman of the Board, President and Chief Executive Officer and co-founder of the Corporation, Mr. Jean-Marc Eustache, is not an independent director. However, all three lead directors, namely Messrs. Bisson, Thompson and Hatch (being the respective chairman of each of the three Board Committees) are independent directors and are free to contact each other, or any of the other five independent directors. The lead directors are also members of the Executive

Requirement	Implementation by the Corporation
directors.	Committee, along with Mr. Eustache who is the only other member. They may convene at their discretion the Executive Committee, which has all the same powers as the Board. As well, "In Camera" sessions are provided for at each regularly scheduled Board meeting and are always held in the absence of non-independent directors. Each year, members of the Human Resources and Compensation Committee assess, "In Camera", the performance of the Chairman, President and Chief Executive Officer and review the results with him. A report is subsequently made, "In Camera", at the Board level and further discussed among board members.
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.	See the full attendance record of each director for each of the Board and its committees in section 2 of this Circular.
2. Board Mandate 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.	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 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 senior executives; (iii) setting objectives for the President and Chief Executive Officer and reviewing those of senior executives 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 roles and responsibilities of the Board, each of its committees and the Chair of each committee are set out in formal written charters (the full text of which can be promptly provided upon written request and is available on SEDAR at www.sedar.com). These charters are reviewed annually to ensure they reflect best practices and are in compliance with any applicable regulatory requirements.
3. Position Descriptions 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.	The Board has developed written position descriptions for the Chairman of the Board and each Committee chair. These are included in the Corporation's Governance Manual which is updated from time to time in light of evolving corporate governance guidelines and requirements of the CSA.
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.	The Board has developed a written position description for the Chief Executive Officer, which description is included in the Corporation's Governance Manual.
4. Orientation and Continuing Education a) Briefly describe what measures the board takes to orient new directors regarding: i) the role of the board, its committees and its	The Corporate Governance and Nominating Committee is responsible for providing an orientation and education program for new directors. As part of this program, the Chairman of the Corporate Governance and Nominating Committee oversees the orientation and education of directors, with the support of certain members of management. The program is set out in the Corporation's Governance Manual. As well,

Requirement	Implementation by the Corporation
directors, and ii) the nature and operation of the issuer's business.	new directors are made fully aware or Transat's Charter of Expectations for Directors (the full text of which can be promptly provided upon written request and is also available on SEDAR at www.sedar.com).
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.	Transat's 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. On September 8, 2008, the directors attended training on the new IFRS rules and the transition to these new rules. On September 8, 2008, they also attended training on the Competition Act. A presentation on the new standards regarding the EU greenhouse gas emission trading scheme was given to the directors during the meeting of the Board of June 11, 2008. Certain of our directors are either members of organizations dedicated to the evolution of corporate governance practices or regularly attend seminars on such matters; for example, the Chairman of our Corporate Governance and Nominating Committee, Mr. Hatch, is a member of the Executive Committee of the Ontario Chapter of the Institute of Corporate Directors.
5. Ethical Business Conduct a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:	
i) disclose how a person or company may obtain a copy of the code;	(i) Directors are expected to comply with our Charter of Expectations for Directors in order to promote best practices and ensure ethical business conduct. The Charter of Expectations for Directors sets out the professional and personal competencies and characteristics expected from Transat directors; these include, amongst others, high ethical standards, attendance at meetings, diligence, international experience and accountability. As well, the Corporation's Governance Manual states clearly the parameters for the disclosure and management of potential conflicts of interest, guidelines to which the directors are currently subject. As well, our directors, officers and employees are subject to the provisions of our Code of Ethics, which was adopted in 2003 and updated in 2005, made available to every employee of Transat during the financial year 2005 and posted on our corporate 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.
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	(ii) 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 receive from our Vice President and General Counsel, on a quarterly basis, a written declaration as to any complaints received during the said quarter pursuant to our Code of Ethics.
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	(iii) There has been no material change report filed since the beginning of our most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the Charter of Expectations or the Code of Ethics.

Requirement	Implementation by the Corporation
constitutes a departure from the code.	
b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.	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.
c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.	Transat's Code of Ethics, Charter of Expectations for Directors, best governance practices (included in its Governance Manual) together with statements included in the Board and Committee charters encourage and promote an overall culture of ethical business conduct. The Board's ongoing review of and adherence to these measures and principles also encourages an ethical business conduct throughout the Corporation. In addition, both the annual Board evaluation questionnaire and the peer feedback survey contain specific questions pertaining to ethical business conduct.
6. Nomination of Directors	
a) Describe the process by which the board identifies new candidates for board nomination.	The Corporate Governance and Nominating Committee is responsible for identifying and recommending to the Chairman and directors suitable nominees for election to the Board. To accomplish this duty, the Committee: i) assesses the composition and size of the Board and, in doing so, reviews the breadth and diversity of experience 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. The Committee also maintains an updated list of potential nominees for election to the Board for future reference. Prior to agreeing to join the Board, new directors are given a clear indication of the workload and time commitment required.
b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.	The Corporate Governance and Nominating Committee is composed exclusively of directors who are independent.
c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	
7. Compensation	
a) Describe the process by which the board determines the compensation for the issuer's directors and officers.	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 compensation of directors and officers are disclosed in section 2 of this Circular for directors and in section 7 for

Requirement	Implementation by the Corporation
	officers.
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.	The Human Resources and Compensation Committee is composed entirely of independent directors.
c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	The Human Resources and Compensation Committee charter, which describes the responsibilities, powers and operation of such committee, can be promptly provided upon written.
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.	Individual directors, through the committees, may engage outside advisors at the expense of the Corporation. The Corporate Governance and Nominating Committee coordinates such requests. Since 2006, the services of PCI-Perrault Consulting Inc., a recognized independent external consultant, were retained to assist the Board and the Human Resources and Compensation Committee in fulfilling their respective duties and responsibilities. This firm was engaged to provide advice and guidance on executive compensation issues. This included conducting a comprehensive review of executive and senior management compensation relative to market practice and suggesting alternatives for the Board's consideration. Since 2006, PCI-Perrault Consulting Inc. was retained in connection with the director peer feedback survey described hereinafter.
8. Other Board Committees If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	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.
9. Assessments 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.	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. Furthermore, during the same period, each director is asked to complete a second yearly 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 will be collected through the said 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 will prepare 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.

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