TRANSAT A.T. INC.

NOTICE OF 2008 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
AND MANAGEMENT PROXY CIRCULAR
CONCERNING THE

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD AT THE FAIRMONT QUEEN ELIZABETH HOTEL, 900 RENE LEVESQUE BLVD. W. ,ROOM MARQUETTE/JOLIETTE, MONTREAL, QUEBEC, CANADA, H3B 4A5

ON MARCH 12, 2008 AT 10:00 A.M. (EASTERN TIME)

January 21, 2008

WHAT'S INSIDE THIS MANAGEMENT PROXY CIRCULAR?

Sections *Page*

NOTICE OF THE 2008 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/Joliette, Montreal, Quebec, Canada, H3B 4A5, on March 12, 2008 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, 2007 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 renewal of the Shareholder Rights Plan which has been continually in force since 1999 and which was renewed by the Corporation on March 15, 2005 and on January 21, 2008, and,

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, 2008
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 10, 2008 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, Quebec, 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 explains 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, 2008. 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/Joliette, Montreal, Quebec, Canada, H3B 4A5, on Wednesday, March 12, 2008 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:

   1. The election of the directors of Transat;
   2. The reappointment of Ernst & Young LLP as Transat's auditors; and
   3. A resolution ratifying the renewal of the Shareholder Rights Plan adopted by the Board of Directors on January 16, 2008 and of all rights issued thereunder (The "Rights 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 resolution concerning the Shareholders' Rights Plan 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 interests attaching to our shares are owned or controlled by non-Canadians.

In this respect, our Articles provide for Variable Voting Shares and Voting Shares. The Class A Variable Voting Shares can only be owned or controlled by persons who are not Canadian and carry one vote per share unless: (i) the number of issued and outstanding Variable Voting Shares exceeds 25% of all the issued and outstanding voting shares, or (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 Class B Voting Shares can only be owned and controlled by Canadians and always carry one vote per share. All the other rights, privileges, conditions and restrictions for the two classes of shares are the same.

The holders of 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 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).

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

A: As at January 21, 2008, we had 1,807,277 Class A Variable Voting Shares and 31,865,133 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, 2008, 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 vote 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, 2008, no person beneficially owns or exercises control or direction over 10% or more of the outstanding Shares. To the knowledge of our directors and officers, and based on publicly available information, as at January 21, 2008, no person beneficially owns or exercises control or direction over 10% or more of the outstanding Voting Shares. However, 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 the following:

(i) Pennant Capital Management LLC, which owned 390,800 Variable Voting Shares for and on behalf of several separate investment funds managed by it, representing approximately 21.62% of all issued and outstanding Variable Voting Shares, provided its shareholding has not changed between October 31, 2007 and January 21, 2008;

(ii) Connor, Clark & Lunn Investment Management Ltd, which owned 334,000 Variable Voting Shares representing approximately 18.48% of all issued and outstanding Variable Voting Shares, provided its shareholding has not changed between October 31, 2007 and January 21, 2008; and

(iii) GlobeFlex Capital, L.P which controlled 301,600 Variable Voting Shares, representing approximately 16.69% of all issued and outstanding Variable Voting Shares, provided its shareholding has not changed between October 31, 2007 and January 21, 2008.

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, Quebec, 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 10, 2008 (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 Rights 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 10, 2008 (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 10, 2008 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 Company'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 incurred by them 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 on your behalf.

By choosing to send these materials to you directly, Transat (and not the intermediary holding 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, 2007 and report of the auditors thereon, and the comparative financial statements for the years ended October 31, 2006 and 2007, 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. Mr. Benoit Deschamps will not be soliciting a renewal of his mandate as director of the corporation.

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, 2008, 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, 2007, as well as information regarding compensation received as a director during such financial year.

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

<table>
<tr><td rowspan="7">André Bisson, O.C.
Age: 78
Québec, Canada
Director Since:
April 1995
Lead Director
Independent[(1)]</td><td colspan="7">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 profitable organizations in the cultural and charitable sectors. Mr. Bisson holds a M.B.A. from Harvard University, two honorary doctorates, a Fellow honoris causa and is Chancellor Emeritus of the Université de Montréal and was awarded the Order of Canada.</td></tr>
<tr><td colspan="3">Board/Committee Membership:</td><td colspan="2">Attendance:</td><td>Fees Paid During FY 2007[(2)]</td><td>Value of Equity Compensation in FY 2007[(2)]</td></tr>
<tr><td colspan="3">Board of Directors
Executive Committee
Audit Committee
Corporate Governance and Nominating Committee</td><td>9 of 9
3 of 3
5 of 5
5 of 5</td><td>100%
100%
100%
100%</td><td>$34,800
$4,800
$18,000
$10,500</td><td>$8,000
–
–
–</td></tr>
<tr><td colspan="7">Securities Beneficially Owned, Directly or Indirectly, or Controlled or Directed:</td></tr>
<tr><td>Voting Shares</td><td>DSUs</td><td>Total of Voting Shares and DSUs</td><td colspan="2">Total Market Value of Voting Shares and DSUs[(3)]</td><td>Minimum Equity Ownership Required[(4)]</td><td>Stock Options</td></tr>
<tr><td>20,762</td><td>637</td><td>21,399</td><td colspan="2">573,707</td><td>67,500</td><td>8,148</td></tr>
<tr><td colspan="7"></td></tr>
<tr><td rowspan="6">John P. (Jack) Cashman
Age: 67
Ontario, Canada
Director Since:
April 2005
Independent[(1)]</td><td colspan="7">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. He is also the Non-Executive Chairman of Interface Biologics Inc., a privately held Canadian therapeutic biomaterials company, and Non-Executive Chairman of Insception Biosciences Inc., Canada's largest and most established cord blood bank. Mr. Cashman is also a Non-Executive Director of Phoqus Group Plc, a UK company specializing in oral drug delivery which is 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 was subsequently acquired by Cardinal Health Inc. (NYSE)).</td></tr>
<tr><td colspan="3">Board/Committee Membership:</td><td colspan="2">Attendance:</td><td>Fees Paid During FY 2007[(2)]</td><td>Value of Equity Compensation in FY 2007[(2)]</td></tr>
<tr><td colspan="3">Board of Directors</td><td>9 of 9</td><td>100%</td><td>$25,763</td><td>$16,438</td></tr>
<tr><td colspan="7">Securities Beneficially Owned, Directly or Indirectly, or Controlled or Directed:</td></tr>
<tr><td>Voting Shares</td><td>DSUs</td><td>Total of Voting Shares and DSUs</td><td colspan="2">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>1,000</td><td>994</td><td>1,994</td><td colspan="2">53,459</td><td>n/a</td><td>671</td></tr>
</table>

<table>
<tr><td rowspan="6">**Lina De Cesare**

Age: 56

Québec, Canada

Director Since:
May 1989

Not Independent (Management)[1]</td><td colspan="7">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.</td></tr>
<tr><td colspan="3">Board/Committee Membership:</td><td colspan="2">Attendance:</td><td>Fees Paid During FY 2007[2]</td><td>Value of Equity Compensation in FY 2007[2]</td></tr>
<tr><td colspan="3">Board of Directors</td><td>8 of 9</td><td>89%</td><td>N/A</td><td>N/A</td></tr>
<tr><td colspan="7">Securities Beneficially Owned, Directly or Indirectly, or Controlled or Directed:</td></tr>
<tr><td>Voting Shares</td><td>DSUs</td><td>Total of Voting Shares and DSUs</td><td colspan="2">Total Market Value of Voting Shares and DSUs[3]</td><td>Minimum Equity Ownership Required[6]</td><td>Stock Options</td></tr>
<tr><td>77,464</td><td>3,717</td><td>81,181</td><td colspan="2">2,176,462</td><td>703,650</td><td>57,701</td></tr>
<tr><td rowspan="6">**Jean Pierre Delisle**

Age : 63

Québec, Canada

Director since:
September 2007

Independent [1]</td><td colspan="7">Jean Pierre Delisle is a Chartered Accountant, 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.</td></tr>
<tr><td colspan="3">Board/Committee Membership:</td><td colspan="2">Attendance:</td><td>Fees Paid During FY 2007[2]</td><td>Value of Equity Compensation in FY 2007[2]</td></tr>
<tr><td colspan="3">Board of Directors</td><td>1 of 1</td><td>100%</td><td>$4,952</td><td>$1,227</td></tr>
<tr><td colspan="7">Securities Beneficially Owned, Directly or Indirectly, or Controlled or Directed:</td></tr>
<tr><td>Voting Shares</td><td>DSUs</td><td>Total of Voting Shares and DSUs</td><td colspan="2">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>2,000</td><td>38</td><td>2,038</td><td colspan="2">54,638</td><td>n/a</td><td>-</td></tr>
</table>

Jean-Marc Eustache Age: 60 Québec, Canada Director Since: February 1987 Not Independent (Management)[1]	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 founders together 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*, 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*).

Board/Committee Membership:	Attendance:		Fees Paid During FY 2007[2]	Value of Equity Compensation in FY 2007[2]
Board of Directors (Chairman)	9 of 9	100%	N/A	N/A
Executive Committee (Chairman)	3 of 3	100%	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[6]	Stock Options
400,905	10,063	410,968	11,018,052	1,460,000	95,192

Jean Guertin Age: 63 Québec, Canada Director Since: April 1995 Lead Director Independent[1]	Jean Guertin is a corporate advisor and director, as well as an Honorary Professor at HEC Montréal. Prior to 1995, he was director of HEC Montréal. After his tenure as director of HEC Montréal, he held various senior executive positions in private and public corporations. From 1995 to 1999, Mr. Guertin was Chairman of the Board and CEO of Société Gasbeau and from 1999 to 2001 he was Chairman of the Board and senior executive advisor at Société Télémédia. Mr. Guertin currently serves on the boards of several corporations, including TSX-listed Canadian Helicopters Income Fund, for which he is Chairman and sits on the audit committee, and the Canadian Investors Protection Fund, for which he serves on the investment and nomination committees. He chairs the Investment Committees of Desjardins Venture Capital and Desjardins Innovatech and chairs the Retirement Fund Committee at HEC Montréal. He also serves on several advisory boards, including that of *Voyages Aller Retour Limitée* and sits on the board of several non-profit organizations, including the CHUM of which he is also a member of the Executive Committee and Chair of the Finance Committee. Mr. Guertin holds a M.B.A. from HEC Montréal and a Ph.D. in finance from Harvard University.

Board/Committee Membership:	Attendance:		Fees Paid During FY 2007[2]	Value of Equity Compensation in FY 2007[2]
Board of Directors	9 of 9	100%	$34,800	$8,000
Executive Committee	3 of 3	100%	$6,300	-
Audit Committee	4 of 5	80%	$9,000	-
Human Resources and Compensation Committee (Chairman)	7 of 7	100%	$18,900	-

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]	Stock Options
5,700	637	6,337	169,894	67,500	4,201

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). 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 Advisory Council of the Pape Adolescent Resource Centre and is a member of the Executive Committee of the Ontario Chapter of the Institute of Corporate Directors. Mr. Hatch is Chair of the Independant 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 2007[(2)]	Value of Equity Compensation in FY 2007[(2)]
Board of Directors	9 of 9	100%	$31,988	$10,812
Executive Committee	3 of 3	100%	$6,300	-
Corporate Governance and Nominating Committee (Chairman)	5 of 5	100%	$16,688	$1,313
Human Resources and Compensation Committee	7 of 7	100%	$11,025	$375

Securities Beneficially Owned, Directly or Indirectly, or Controlled or Directed:

Voting Shares	DSUs	Total of Voting Shares and DSUs	Total Market Value of Voting Shares and DSUs[(3)]	Minimum Equity Ownership Required[(4)]	Stock Options
3,374	1,429	4,803	128,768	67,500	4,395

Jacques Simoneau

Age: 50

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. He also serves on the boards of *Club de Golf de la Vallée du Richelieu Inc* and of *9048-6499 Québec Inc*. 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 2007[(2)]	Value of Equity Compensation in FY 2007[(2)]
Board of Directors	9 of 9	100%	$34,200	$8,000
Corporate Governance and Nominating 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)]	Stock Options
3,500	637	4,137	110,912	67,500	671

Philippe Sureau Age: 58 Québec, Canada Director Since: February 1987 Not Independent (Management)[1]	Philippe Sureau is the Corporation's President – Distribution and one of Transat's three founders along with Mr. Eustache and Ms. 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.

Board/Committee Membership:	Attendance:		Fees Paid During FY 2007[2]	Value of Equity Compensation in FY 2007[2]
Board of Directors	9 of 9	100%	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[6]	Stock Options
316,263	3,606	319,869	8,575,687	667,500	55,622

John D. Thompson Age: 73 Québec, Canada Director Since: April 1995 Independent[1]	John D. Thompson is a Corporate Director. Prior to 1995, he was President and CEO of Montreal Trust and Chairman of the Board of RoyNat Inc. Mr. Thompson currently serves on the board of directors and is Chairman of the Audit and Conduct Committees of certain corporations of the Scotia Bank Group, including Montreal Trust Company of Canada, Scotia General Insurance Company, National Trust Company, Scotia Life Insurance Company, Scotia Mortgage Corporation and The Bank of Nova Scotia Trust Company, the Mortgage Insurance Company of Canada, as well as on Triton Électronique Inc. Mr. Thompson is also a director of the MacDonald Stewart and Windsor foundations 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).

Board/Committee Membership:	Attendance:		Fees Paid During FY 2007[2]	Value of Equity Compensation in FY 2007[2]
Board of Directors	9 of 9	100%	$23,550	$19,250
Audit Committee	5 of 5	100%	$8,400	$1,500
Human Resources and Compensation Committee	7 of 7	100%	$9,900	$1,500

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

Voting Shares	DSUs	Total of Voting Shares and DSUs	Total Market Value of Voting Shares and DSUs[3]	Minimum Equity Ownership Required[6]	Stock Options
15,000	2,092	17,092	458,236	67,500	2,943

Dennis Wood, O.C. Age: 68 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, Victhom Human Bionics Inc. where he chairs the Governance and Compensation Committee and serves on the Audit Committee, Groupe Jean Coutu Inc. where he serves on the Audit Committee and 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. 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 2007(2)	Value of Equity Compensation in FY 2007(2)
Board of Directors	9 of 9	100%	$12,300	$30,500
Human Resources and Compensation Committee	6 of 7	86%	$6,900	$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(6)	Stock Options
7,143	2,947	10,090	270,512	67,500	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 section entitled "Directors' Compensation" on page 16 of this Circular for a description of the compensation policy applicable to our outside directors during the financial year ended October 31, 2007.
(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, 2008 ($26.81) times 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 annual Board retainer paid in cash to which they are entitled after having served three years as director.
(5) Mr. Cashman and Mr. Delisle have served as directors for less than three years. Mr. Delisle joined the Board in September 2007. Mr. Cashman has joined the Board in April, 2005.
(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).

Mr. Benoit Deschamps announced that he does not intend to seek a renewal of his mandate as Director at the Shareholders Meeting. The committees on which he served, the number of committee meetings and Board meetings he attended during the financial year ended October 31, 2007, as well as information regarding compensation received as a director during such financial year are the following:

Board/Committee Membership:	Attendance:		Fees paid during FY 2007(2)	Value of equity compensation in FY 2007(2)
Board of Directors	9 of 9	100%	$29,175	$13,625
Audit Committee	5 of 5	100%	$9,750	$750
Corporate Governance and Nominating Committee	5 of 5	100%	$9,750	$750

Voting Shares	DSUs	Total of Voting Shares and DSUs	Total Market Value of Voting Shares and DSUs(3)	Minimum Equity Ownership Required(4)	Stock Options
6,502	1,065	7,567	202,871.27	67,500	4,395

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 Bankruptcy 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, and (iii) Mr. John P. Cashman who 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.

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 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 2007, the aggregate amounts billed for professional services provided by the auditors to the Corporation and its subsidiaries were approximately $1,177,000 for audit and audit-related fees, $317,000 for tax fees and $0 for all other non-audit fees; the comparative figures for 2006 were approximately $1,111,000, $318,000 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.

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 (the full text of which can be promptly provided upon written request and which is available on SEDAR at www.sedar.com).

4. SHAREHOLDER RIGHTS PLAN

Proposal Concerning the Shareholder Rights Plan

At the Meeting, the shareholders will examine and, if deemed advisable, approve the resolution set out in Schedule A hereto (the “Rights Plan Resolution”), to ratify the renewal of the Amended and Restated Shareholder Rights Plan, which was initially approved by the Board of Directors on February 3, 1999 and ratified by the shareholders on March 24, 1999. This plan was renewed by the Board of Directors on February 13, 2002, and ratified by the shareholders on March 27, 2002, and was renewed again by the Board of Directors on March 15, 2005 and ratified by the shareholders on April 27, 2005. It was renewed again by the Board of Directors on January 16, 2008 (the “2008 Rights Plan”). The terms of the 2008 Rights Plan are contained in an Amended and Restated Shareholder Rights Plan Agreement between the Corporation and CIBC Mellon, as rights agent.

The existing Shareholder Rights Plan effective since 1999 and renewed in 2002 and in 2005 was scheduled to terminate at the close of the Meeting of the Shareholders on March 12, 2008. On January 16, 2008, the Board of Directors restated the 2008 Rights Plan for another three-year period with certain minor modifications which are described hereafter. To continue the 2008 Rights Plan beyond the termination of the Meeting, the Rights Plan Resolution must be approved by the majority of the votes cast by the Shareholders, in person or by proxy, at the Meeting.

Transat has reviewed the 2008 Rights Plan for conformity with current practices of Canadian companies with respect to shareholder protection rights plans. We believe that the 2008 Rights Plan preserves the fair treatment of shareholders, is consistent with current best Canadian corporate practices and addresses institutional investor guidelines.

Unless a shareholder indicates otherwise, the shares represented by the proxy form enclosed herewith will be voted in favor of the Rights Plan Resolution.

Before deciding to adopt the Rights Plan, the Board of Directors considered the current legislative framework in Canada governing take-over bids. Under provincial securities legislation, a take-over bid generally means an offer to acquire voting or equity voting shares of a corporation that, together with shares already owned by the bidder and certain parties related thereto, amount to 20% or more of the outstanding shares of that class.

Recommendation of the Board of Directors

The Board of Directors has determined that the 2008 Rights Plan is in the interests of the Corporation and its shareholders and recommends that the holders of shares vote in favor of the Rights Plan Resolution.

The principal terms of the Rights Plan Agreement are set forth in Schedule “B” to this Circular.

The purpose of the 2008 Rights Plan is to ensure equal treatment of shareholders and to give adequate time for shareholders to properly assess the merits of a bid without undue pressure, and to allow competing bids to emerge. The 2008 Rights Plan is designed to give the Board of Directors time to consider alternatives, the ultimate objective of which is to allow shareholders to receive full and fair value for their shares. The 2008 Rights Plan was not adopted by the Board of Directors in response to any acquisition proposal and is not designed to secure the continuance in office of the current management or the directors of the Corporation. The adoption of the 2008 Rights Plan does not in any way lessen the duties of the directors to fully and fairly examine all bids which may be made to acquire the shares of the Corporation and to exercise such duties with a view to the best interest of the shareholders of the Corporation.

The “Issue of Rights” (as defined in Schedule B) will not in any way adversely alter the financial condition of the Corporation. The issue is not in itself dilutive, will not affect reported earnings per share and will not change the way in which shareholders would otherwise trade their shares. By permitting holders of Rights other than an “Acquiring Person” (as defined in Schedule B) to acquire additional securities of the Corporation at a discount to market value, the Rights may cause substantial dilution to a person or group that acquires 20% or more of the outstanding Variable Voting Shares or Voting Shares other than by way of a “Permitted Bid” (as defined in Schedule B).

A potential bidder can avoid the dilutive features of the 2008 Rights Plan by making an offer that conform to the requirements of a Permitted Bid.

To qualify as a Permitted Bid, a take-over bid must be made by means of a take-over-bid circular to all holders of voting shares and must be open for at least 60 days after the bid is made. If more than 50% in aggregate of the outstanding voting shares held by “Independent Shareholders” (as defined in Schedule B) are deposited or tendered pursuant to the bid and not withdrawn, the bidder may take up and pay for such shares. The bid must then remain open for a further period of at least ten business days.

The requirements of a Permitted Bid enable each shareholder to make two separate decisions. First, a shareholder will decide whether the bid or any competing bid is adequate on its own merits. Thereafter, a shareholder will decide to tender or not his shares. In making this decision, the shareholder should not be influenced by the likelihood that the bid will succeed. If there is sufficient support, for example if more than 50% in aggregate of the outstanding voting shares held by Independent Shareholders have been tendered, a shareholder who has not already tendered to that bid or to a competing bid will have a further ten business days to decide whether to tender or not his shares. In reaching the decision to implement the 2008 Rights Plan, the Board of Directors considered its duties and responsibilities to the Corporation and received the advice of its advisors. In addition, the Board of Directors reviewed the recent experiences of other Canadian public companies in adopting shareholders’ rights plans and addressed important institutional investors and regulatory concerns with shareholders’ rights plans.

Amendments to the Existing Shareholder Right Plan

The amendments made to the existing 2008 Rights Plan aim at maintaining the validity of the Rights Plan for the next three years. In addition, changes have been made to the definition of “Lock-Up Agreement” in order to better reflect the current market practices for this type of agreement in take-over bids that are supported by target companies.

Summary

The terms of the Rights Plan are set out in an Amended and Restated Shareholder Rights Plan Agreement dated as of January, 16, 2008 between the Corporation and CIBC Mellon as rights agent (the "Rights Agent"). A summary of the principal terms of the Rights Plan Agreement is set forth in schedule B to this circular. The text of the Rights Plan Agreement is available upon request, free of charge, from the Corporate Secretary or from CIBC Mellon at the following addresses:

TRANSAT A.T. INC.
300 Léo-Pariseau Street
Suite 600
Montréal, Québec
H2W 2P6

CIBC Mellon Trust Company
2001 University Street
Suite 1600
Montréal, Québec
H3A 2A6

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 fiscal year ended October 31, 2007:

	From November 1, 2006 to October 31, 2007	From November 1, 2007
Annual Board retainer:	$22,500 in cash plus an additional amount of $8,000 paid at a quarterly rate of $2,000 in DSUs	$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):	$7,500	$10,000
Annual Audit committee retainer	$3,000	$5,000
Annual committee retainer (excluding committee chairpersons and excluding Audit committee members):	$3,000	$3,000
Each Board or committee meeting attended		
–in person:	$1,500	$1,500
–by conference call:	$900	$1,000
Annual grant of Stock Options under the terms of our Stock Option Plan:	No new grants; suspended indefinitely by the Board	No new grants; suspended indefinitely by the Board

During the financial year ended October 31, 2007, the aggregate amount of fees paid to directors was 513,821 $, including fees paid in DSU's and in cash. The amount paid to Mr. Benoit Deschamps was 64,340 $ and the *pro forma* aggregated amount, excluding Mr. Benoit Deschamps, was 449,481 $.

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 to 13 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, 2007 by each of our outside directors who are seeking re-election.

The Board has approved an increase in Directors' compensation for the fiscal year starting November 1, 2007 as described in the above Directors' compensation table.

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.

As of October 31, 2007 the Committee was composed of Messrs. Clifford Hatch (Chairman of the Committee), André Bisson, Benoit Deschamps and Jacques Simoneau. Mr. Benoit Deschamps will not be soliciting a renewal of his mandate as director of the corporation and shall also resign of such Committee as of March 11, 2008.

Corporate Governance Initiatives

The Committee is made up of four independent directors whose powers and mandate are set out in the Committee's charter. In March 2006, paragraph XVI of the charter dealing with the Committee's responsibility relating to risks to the Corporation was amended.

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

The Committee has also reviewed the Corporate Governance Manual which has been updated to reflect, amongst others, new legislative and regulatory developments in Governance and Securities' Law. The updated version of the Corporate Governance Manual was approved by the Board of Directors on December 13, 2007.

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 chairmen of each of the Audit Committee, the Human Resources and Compensation Committee and the Governance and Nominating Committee, are all independent directors. On September 5, 2007, 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 the Mr. Jean Pierre Delisle be nominated as a new director. Mr. Delisle has an extensive experience in finance and accounting and has previously been a board member of the Corporation from April 1987 to October 1988.

Assessing Performance

During December 2007 and January 2008, 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 and 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 prepares a report for each director on his or her performance.

Directorships / 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 (as shown on pages 8 to 13). 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, 2007, the independent directors held six "In Camera" sessions.

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 October 17, 2007, a presentation was made to the Board by external counsels on the trends with respect to the duties and obligations of directors of public corporations. On December 12, 2007, a presentation was made to the Audit committee members and some other board members by external auditors on asset-backed commercial paper.

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. (the full text of which can be promptly provided upon written request and which is available on SEDAR at www.sedar.com).

Corporate Disclosure Policy

The Committee has formalized, through the adoption of a disclosure policy on June 7, 2006, 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 henceforth to the Board of Directors. 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 Committee is satisfied that it has appropriately fulfilled its mandate for the year ended October 31, 2007.

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

H. CLIFFORD HATCH JR., CHAIRMAN, ANDRÉ BISSON, BENOÎT DESCHAMPS AND JACQUES SIMONEAU.

EXECUTIVE COMPENSATION

Summary Compensation Table

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

	Annual Compensation				Long-Term Compensation				
					Awards			Payouts	
Name and Principal Position	Year	Annual Salary ($)	Annual Bonus(1) ($)	Other Annual Compen-sation(2) ($)	Securities Under Options Granted (#)	Shares Subject to Resale Restrictions(3) ($)	Units Subject to Resale Restrictions(4) ($)	LTIP Payouts ($)	All Other Compen-sation(5) ($)
Jean-Marc Eustache									
President, Chairman of the Board and CEO; Chairman of the Board, Transat Tours Canada Inc.	2007	730,000	820,200	58,400	34,295	–	219,003	–	Nil
	2006	695,250	869,062	55,620	30,682	–	69,525	–	69,525
	2005	675,000		54,000	30,215	–	67,500	–	67,500
Lina De Cesare									
President, Tour Operators; President, Cameleon Hotel Management Corporation, Trafictours Canada Inc., Transat Holidays USA, Inc. and Cameleon Marival (Canada) Inc.	2007	469,100	468,250		16,812	–	124,773	–	Nil
	2006	436,800	436,800	–	12,915	–	26,208	–	43,680
	2005	420,000	–	–	12,596	–	25,200	–	42,000
Philippe Sureau									
President, Distribution; President and Chairman of the Board, Transat Distribution Canada Inc., President, Eurocharter SAS and Chairman of the Board, Travel Superstore Inc.	2007	445,000	400,000		15,948	–	118,356	–	Nil
	2006	416,000	416,000	–	12,300	–	24,960	–	41,600
	2005	400,000	–	–	11,996	–	24,000	–	40,000
Nelson Gentiletti									
President, Transat Tours Canada Inc.; President and Chief Executive Officer, Jonview Canada Inc.	2007	364,000	318,170		8,550	36,400	54,607	–	–
	2006	350,000	294,092	–	7,723	32,423	21,000	–	–
	2005	315,000	–	–	7,050	24,230	9,450	–	–
François Laurin(6)									
Vice-President, Finance and Administration and CFO	2007	284,625	192,000		5,731	28,463	28,454	–	–
	2006	275,010	206,258	–	6,068	21,154	8,250	–	–
	2005	111,538	–	–	5,825	–	7,500	–	–

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

(2) Paid under the Perquisites Program. Ancillary benefits and other personal benefits are not included because they did not exceed the minimum thresholds stipulated for disclosure purposes, except for the Chairman of the Board and Chief Executive Officer.

(3) The value of the restricted shares attributed 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. As at October 31, 2007, aggregate holdings of 65,501 restricted shares are valued at approximately $1,823,816. From that number of restricted shares, a total of 9,124 will vest in January 2008; 28,467 in July 2008; 15,547 in January 2009; 1,163 in July 2009 and 11,200 in January 2010. Dividends are paid on such restricted shares.

(4) The value of the RSUs granted under the RSU Plan (as defined hereinafter under the "Restricted Share Unit Plan" section on page 24 of this Circular) is calculated by multiplying the number of units granted 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 grants, namely $30.27 for 2007. The value of the DSUs granted under the DSU Plan (as defined hereinafter under the "Deferred Share Unit Plan" section on page 24 of this Circular) is calculated by multiplying the number of units granted 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 grants, namely $22.66 for 2006 and $22.34 for 2005. DSU grants were suspended as of November 1, 2006 pursuant to the introduction of the RSU Plan (as explained hereinafter under the "Long-Term Incentive Program" section on page 28 of this Circular). As at October 31, 2007, aggregate holdings of 18,011 RSUs valued at approximately $718,279 and 31,653 DSUs valued at approximately $1,262,322 for a total value of $1,980,601, are subject to restrictions on resale. RSUs may vest on December, 14, 2009, upon the achievement by Transat of predetermined performance targets. DSUs vest upon a director or officer leaving his or her position. Dividend equivalents are paid on DSUs.

(5) Paid in lieu of the attribution of shares under the Permanent Stock Ownership Incentive Plan. Such payments were discontinued as of November 1, 2006 pursuant to the introduction of the RSU plan (as explained hereinafter under the "Long-Term Incentive Program" section on page 28 of this Circular).

(6) Mr. Laurin was appointed Vice-President, Finance and Administration and CFO on May 24, 2005.

Stock Option Plan

On January 17, 2007 the Stock Option Plan was amended in order to introduce detailed amending provisions to such plan as required under the new rules of the TSX and to provide for an automatic ten-day extension of an option term that would otherwise have expired during, or within two days of, a Corporation-imposed blackout period. These amendments were approved by the shareholders on March 14, 2007.

The Stock Option Plan allows us to grant stock options (the "Options") to eligible persons, at a price per share equal to the average weighted market price of Transat voting shares on the TSX over the five trading days preceding the granting of Options. As at October 31, 2007, a balance of 869,121 Options were available for granting. 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 directors, officers and employees 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 Stock Option 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.

Notwithstanding the foregoing, in the event of a successful take-over bid or exchange bid for Transat shares, within the meaning of the *Securities Act* (Québec), R.S.Q., c. v-1.1, providing for the purchase of shares or securities conferring on the offerer 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 Stock Option 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, or (vi) if substantially all of the assets of Air Transat A.T. Inc. or Transat Tours Canada Inc. are sold or assigned, or (vii) any other event that our Board of Directors may determine from time to time, subject to the applicable regulatory approvals.

Options are granted annually in multiples of the salary based on the salary grade of the position held; effective in our financial year 2007, the multiples that apply to executive officers vary between 0.58 to 1.33 times their salary, with the exception of the Chairman of the Board and Chief Executive Officer who is eligible to receive Options representing 1.75 times his base salary.

Option Grants During the Financial Year Ended October 31, 2007

The following table indicates the Options granted to the 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	34,295	23.64	37.25	37,00	2017-05-02
Lina De Cesare	16,812	11.59	37.25	37,00	2017-05-02
Philippe Sureau	15,948	10.99	37.25	37,00	2017-05-02
Nelson Gentiletti	8,550	5.89	37.25	37,00	2017-05-02
François Laurin	5,731	3.95	37.25	37,00	2017-05-02

(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.

As at October 31, 2007, a total of 506,083 Options had been granted and were outstanding, representing approximately 1.5% of the total number of voting shares then outstanding. In addition, a further 869,121 voting shares were reserved and available for future option grants, for a total of 1,375,204 voting shares, or approximately 4.1% of the total number of voting shares issued and outstanding or available for purposes of the Stock Option Plan. During the financial year ended October 31, 2007, an aggregate of 63,763 Options were granted to holders other than the Named Executive Officers, of which 57,003 were granted at an exercise price of, $37.25, 4,760 were granted at an exercise price of $37.03 and 2,000 were granted at an exercise price of $28.41. 18,221 Options were cancelled and/or expired during this financial year, and 331,257 Options were exercised. Additional information on Options, including the weighted average exercise price of all outstanding Options as at October 31, 2007, may be found under note 15 to our financial statements for the year ended October 31, 2007 on page 53 of our 2007 Annual Report available for consultation on the SEDAR website at www.sedar.com.

Options Exercised During the Financial Year Ended October 31, 2007

The following table sets forth the Options exercised by the 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	141,416	3,184,210	30,370	64,822	681,738	1,966,007
Lina De Cesare	18,378	511,827	28,080	29,621	526,267	915,155
Philippe Sureau	0	0	27,475	28,147	512,686	869,212
Nelson Gentiletti	16,809	121,930	3,334	16,049	74,181	487,662
François Laurin	5,905	74,575	0	11,719	0	346,837

(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, 2007 (namely $39.88) less the exercise price of the in-the-money options.

Share Purchase Plan for the Benefit of All Employees or Executives

On December 14, 2006 the Stock Purchase Plan was 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 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.

Notwithstanding the foregoing, a Participant may sell all of the Voting Shares subject to this plan prior to the July 1 date mentioned above should Transat be subject to a change of control. For the purposes of the Share Purchase Plan, a change of control occurs when an event or series of events that are unsolicited by Transat, with the exception of events listed at section (iv) through to (vii) below, triggers a *de facto* control of Transat other than what was in place at the time of the coming into force of the Share Purchase Plan, either directly or indirectly, through the ownership of securities, by way of agreement or in any other manner whatsoever. Without limiting the generality of the foregoing, the following events shall be considered to be an acquisition of control: (i) if a person, proceeding by way of a public offering in conformity with the provisions of the *Securities Act* (Québec), becomes the owner or beneficial owner, directly or indirectly, of a number of our securities which represents 20% or more of the voting rights for the election of our directors; (ii) if a person, through transactions on the stock market, by way of private sale or by any other manner, directly or indirectly acquires ownership or beneficial ownership of a number of our securities which represents 20% or more of the voting rights for the election of our directors; (iii) if individuals who constitute or 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 November 1, 2004, 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 substantially all of the assets of Air Transat A.T. Inc. or Transat Tours Canada Inc. are sold or assigned, or (vi) any other event that our Board of Directors may determine from time to time, subject to the applicable regulatory approvals.

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

During the financial year ended October 31, 2007, we issued 35,307 Voting Shares under the Share Purchase Plan and, as at October 31, 2007, we were authorized to issue 576,176 Voting Shares thereunder.

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

On October 19, 2004, our Board of Directors adopted the Stock Ownership and Capital Accumulation Incentive Plan for Managers, now renamed Stock Ownership and Capital Accumulation Incentive Plan for the Non-Unionized Employees of Transat ("Transcapital") as of September 6, 2006. On December 14, 2006 Transcapital 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.

Up to and including the financial year ended October 31, 2007, only managers working in positions belonging to salary grades 7 through 12 at Transat were eligible to participate in Transcapital (each, a "Participant").

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 attributes to each Participant in salary grades 7 through 12 an additional number of shares purchased on the secondary market whose total purchase cost corresponds to between 25% and 60% of the Participant's monthly contribution, depending on the salary grade of his or her position. Such Participants may contribute more than 5% and up to 10% of their salary, but without benefiting from any attribution of additional shares by Transat above and beyond a contribution of 5% of their salary.

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

The amendments described above were approved by the TSX but did not require shareholder approval.

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

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

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

Permanent Stock Ownership Incentive Plan for Senior Executives

On June 29, 1999, our Board of Directors adopted the Permanent Stock Ownership Incentive Plan, which was in effect for an initial term of five years. On October 19, 2004, our Board of Directors amended this plan with respect to eligibility and frequency of subscription. Further, on January 14, 2005, our Board of Directors extended the initial term of the plan for an additional five years. 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.

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

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

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

Further to the review of our Long-Term Incentive Program in 2007 (see "Report of the Human Resources and Compensation Committee – Long-Term Incentive Program" on page 28 of this Circular for a description of the changes introduced in our financial year

2007), no further cash payments in lieu of the attribution of shares under the Permanent Stock Ownership Incentive Plan will be made to any of the Named Executive Officers.

Voting Shares Attributed During the Financial Year Ended October 31, 2007

The following table indicates the Voting Shares attributed during the last financial year to the Named Executive Officers.

Name	Securities, Units or Other Rights(1) (#)	Performance Period or Other Period to Maturity(2)
Jean-Marc Eustache(3)	0	0
Lina De Cesare(3)	0	0
Philippe Sureau(3)	0	0
Nelson Gentiletti	1073	2010-01-10
François Laurin	854	2010-01-10

(1) Voting Shares attributed monthly from November 1, 2006 to October 31, 2007.; (2) Maturity date on which all attributed shares vest, subject to each Named Executive Officer having retained all the Voting Shares subscribed for under the Share Purchase Plan.; (3) Not eligible, see footnote 5 to the Summary Compensation Table at page 19 of this Circular.

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 granted a number of DSU's each year.

However, further to the review of our Long-Term Incentive Program in 2007 (see "Report of the Human Resources and Compensation Committee – Long-Term Incentive Program" on page 28 of this Circular for a description of the changes introduced in our financial year 2007), DSU grants to all executives were discontinued as of November 1, 2006.

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") granted 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 grant. Grant sizes between 7% and 27% of base salary (30% in the case of the Chairman of the Board and Chief Executive Officer only) are provided depending on the position held by the executive officer.

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 granted RSUs vest upon the achievement of the threshold 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 milestones.

For each vested performance-based 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 vesting date. The RSU Plan contains change of control provisions which provide for the accelerated vesting of the RSUs in certain circumstances.

Retirement Agreements

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.

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 represents one twelfth of 1.5% for a Participant with less than 10 years of eligible service (1.75% for a Participant with more than 10 years but less than 20 years of eligible service; 2.0% for a Participant with more than 20 years of eligible service) multiplied by the number of eligible years of service (see footnote 2 to the table below) and by the average eligible earnings (see footnote 1 to the table below). From this amount is subtracted an amount equal to one twelfth of the annual retirement benefit payable upon turning 65, which is the actuarial equivalent value of the amount accrued by the Participant, on the date of his or her retirement under Transat’s Pension Plan for non-unionized employees (the “Pension Plan”) consisting of a group registered retirement savings plan and of a deferred profit sharing plan and an amount equal to one twelfth of the maximum annual retirement benefit payable upon turning 65 under the Québec Pension Plan, as determined on the Participant’s retirement date multiplied by the number of eligible years of service and divided by 35. The eligible earnings include the base salary and the target bonus. The annualized eligible earnings, eligible years of service and estimated annual retirement allowance payable at age 65 of each Named Executive Officer, as at October 31, 2007, are provided in the following table:

<u>Retirement Benefits Table</u>

Name	Eligible Earnings(1) FY 2007 ($)	Credited Service(2) (Eligible years as at October 31, 2007)	Estimated Annual Retirement Allowance, Accrued as at October 31, 2007, Payable(3) at age 65 ($)
Jean-Marc Eustache	966,475	28.771	556,129
Lina De Cesare	550,170	26.655	293,296
Philippe Sureau	531,998	28.771	306,122
Nelson Gentiletti	411,473	5.181	31,978
François Laurin	356,812	2.437	13,043

(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 plan are the highest.
(2) The number of eligible years of service is the aggregate of the number of calendar years and fraction of calendar years served with Transat by the Participant.
(3) Total benefit payable under the standard retirement agreement without taking into account deductions of benefits payable pursuant to the Pension Plan and those payable under the Québec Pension Plan.

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	$160,000	$200,000	$240,000	$280,000
$500,000	$131,250	$200,000	$250,000	$300,000	$350,000
$600,000	$157,500	$240,000	$300,000	$360,000	$420,000
$700,000	$183,750	$280,000	$350,000	$420,000	$490,000
$800,000	$210,000	$320,000	$400,000	$480,000	$560,000
$900,000	$236,250	$360,000	$450,000	$540,000	$630,000
$1,000,000	$262,500	$400,000	$500,000	$600,000	$700,000
$1,100,000	$288,750	$440,000	$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.

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.

Supplemental Disclosure with Respect to Retirement Agreements

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 liability associated with the retirement allowance, as well as the annual allowance that would be available to the executive upon retirement. The following table illustrates changes in the accrued liability from October 31, 2006 to October 31, 2007, including the annual pension service cost for the 2007 financial year, for the Named Executive Officers, calculated using the same actuarial assumptions used for determining year-end pension plan liabilities in our financial statements for the financial year ended October 31, 2007, in accordance with generally accepted accounting principles.

Name	Accrued Pension Liability as at October 31, 2006 (1) ($)	2007 Pension Service Cost (1) ($)	Other Changes in Liability in 2007 (2) ($)	Accrued Pension Liability as at October 31, 2007 (1) ($)
Jean-Marc Eustache	5,803,000	223,000	733,000	6,759,000
Lina De Cesare	3,490,000	140,000	309,000	3,939,000
Philippe Sureau	3,148,000	121,000	407,000	3,676,000
Nelson Gentiletti	173,000	46,000	31,000	250,000
François Laurin	47,000	35,000	9,000	91,000

(1) Accrued pension liability is the value of the projected pension earned for service up to October 31, 2006 or October 31, 2007 as indicated above. Pension service cost is the value of the projected pension earned for financial year 2007. These estimated amounts have been calculated by retirement plan actuaries, using the same actuarial assumptions used for determining year-end pension plan liabilities in Transat's financial statements for the financial years ended October 31, 2006 and October 31, 2007, respectively, in accordance with generally accepted accounting principles and the valuation makes no allowance for potential differences in tax treatment.

(2) Other changes in liability in 2007 include the impact of any differences between actual and assumed compensation, promotions, plan amendments, amounts attributable to interest accruing on the beginning-of-year obligation, changes in the actuarial assumptions and other experience gains and losses.

Employment Contracts and Change of Control Agreements

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 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 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 directly or indirectly acquires ownership or beneficial ownership of a number of our securities which represents 20% or more of the voting rights for the election of our directors; (iii) if individuals who constitute our Board of Directors 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 a take-over of Transat, the standard agreement provides that, if the purchaser terminates the employment of the Named Executive Officer (otherwise than for cause, or in the event of the disability or death of the Named Executive Officer) or if the Named Executive Officer terminates his or her employment for a "sufficient reason" (as defined in the agreement), the Named Executive Officer will be entitled to the payment of a severance package following termination of his employment. The severance package is primarily composed of the following elements, depending on the position held by the Named Executive Officer:

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

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

The Named Executive Officer cannot draw any benefit from the agreement unless there is a take-over of 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.

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 equal to the base salary of the executive officer for a period of 12 or 18 months, plus one or two months per full year of service, up to a maximum of 18, 24 or 30 months; and

(ii) A lump sum equal to the target bonus applicable to his or her position for the period determined in accordance with paragraph (i) hereinabove.

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

REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

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 our Board of Directors. The Committee also reviews the yearly performance objectives of the 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. Jean Guertin (Chairman of the Committee), H. Clifford Hatch Jr., John D. Thompson and Dennis Wood. No member of this Committee is currently employed by Transat or any of its subsidiaries, or is a former officer or employee of Transat or any of its subsidiaries. None of our executive officers is a member of the board of directors of the corporations that employ Messrs. Jean Guertin, H. Clifford Hatch Jr., John D. Thompson and Dennis Wood. Please note that Mr. Jean-Marc Eustache participates in the meetings of the Committee upon invitation.

Executive Compensation Policy

Our executive compensation policy is intended to align our executive officers' aggregate compensation with our values, objectives and business strategy, and to determine the amount of such compensation in accordance with our financial performance and the creation of added value for our shareholders. In other words, our Short-Term Incentive Program is directly correlated to our results: there are payouts when budgeted targets are achieved. On the other hand, the philosophy pertaining to the Long-Term Incentive Program takes into account the creation or decrease of added value for our shareholders. With regards to Transat's subsidiaries located in Europe, the compensation policy is based on similar principles, but is adjusted to reflect the specific context of the European market. More precisely, the goals of the policy are established as follows, to:

(i) Attract and retain competent executive officers in order to ensure our long-term success, as well as that of our subsidiaries;

(ii) Motivate executive officers to meet and surpass the targeted annual and long-term performance objectives we have set; and

(iii) Offer executive officers an aggregate compensation set at the first quartile of our reference market when the performance objectives and the objectives with respect to the creation of added value for the shareholders are fully attained.

Our policy consists in offering a Total Compensation (as defined hereunder) to our executive officers, which is established by drawing a comparison with a reference market of Canadian public corporations chosen on the basis of criteria such as the nature and complexity of their operations, their market segments and the scope of their operating activities (Canada-wide and international). Our reference market currently consists of more than 30 corporations operating in market segments similar to those of Transat and which altogether posted average revenues for their last fiscal year similar to that of Transat. The Committee annually reviews the composition of our reference market, updates the Total Compensation data drawn therefrom and reviews, when necessary, our positioning within this market to ensure that it remains appropriate.

The Committee hired PCI-Perrault Consulting Inc., an independent external consultant, to provide advice and guidance with respect to corporate governance and executive compensation matters.

Total fees paid by us to PCI-Perrault Consulting Inc. with respect to services provided from November 1, 2006 to October 31, 2007 were $135,655.

The Total Compensation of our executive officers is comprised of the following elements:

(i) A Base Salary;

(ii) A Short-Term Incentive Program in the form of an annual bonus;

(iii) A Long-Term Incentive Program with three components: the Stock Option Plan, the Permanent Stock Ownership Incentive Plan and the RSU Plan[1];

(iv) A Perquisites Program; and

(v) An Employee Benefits Program, including a group insurance plan and retirement arrangements for executive officers;

collectively (the "Total Compensation").

The key elements of the Total Compensation of executive officers have been developed in accordance with the principles outlined below.

Base Salary

Our executive officer positions and those of our subsidiaries are compared to other similar executive officer positions in corporations making up our reference market, and the salary data gathered are then analyzed to establish the median salaries[2] in the

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1 Performance-based RSU grants were introduced starting November 1, 2006. Effective on the same date, DSU grants to all executive officers were suspended and cash payments in lieu of the attribution of shares under the Permanent Stock Ownership Incentive Plan to the top three Named Executive Officers were discontinued. A description of the RSU Plan is provided on page 26 of this Circular.

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

market. Salary scales with minimums and maximums are then developed based on the market medians, allowing for the consideration of performance and experience in office. The target for salaries paid to each executive officer is the median of the reference market.

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. To each of these salary grades corresponds one of the above-mentioned salary scales.

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 reference market, with a potential to attain the top of the first quartile of the reference market. The target bonus and maximum bonus vary depending on the salary grade of the position considered and can reach, respectively, 25% to 40% and 62.5% to 100% of the base salary for executive officers (and 50% and 125% in the case of the Chairman of the Board and Chief Executive Officer). Any bonus paid under the Short-Term Incentive Program is meant as a reward for achieving the earnings per share ("EPS") and earnings before taxes ("EBT") budgeted by Transat, depending on the position held, as well as the individual performance of each employee. In the event EPS and EBT threshold are not met, no bonuses are payable.

The objective pursued by applying the compensation principles described above is to provide cash compensation (base salary plus annual bonus) positioned at the first quartile of the reference market when the targeted objectives are attained, with the potential to exceed the reference market when targeted objectives are exceeded and the maximum objectives are attained.

Long-Term Incentive Program

After analyzing our market positioning, the Committee recommended on December 5, 2006 and the Board of Directors approved on December 14, 2006 changes to the components of our Long-Term Incentive Program in order to (i) increase the long-term incentives opportunity to bring Total Compensation closer to our targeted market positioning; (ii) extend eligibility to long-term incentives to attract and retain senior executives who are critical to our succession plan; and (iii) improve the link between Total Compensation and shareholder value creation.

Consequently, starting in financial 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 granted a number of RSUs each year which may vest at the end of a three-year cycle, based on achieving predetermined performance targets. See "Restricted Share Unit Plan" on page 24 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 DSU Plan have ceased for all executives and cash payments in lieu of the attribution 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 Plan: See "Stock Option Plan" on page 20 of this Circular for a summary of the terms and conditions of this plan.

(ii) Permanent Stock Ownership Incentive Plan: See "Permanent Stock Ownership Incentive Plan for Senior Executives" on page 23 of this Circular for a summary of the terms and conditions of this plan.

(iii) Restricted Share Unit ("RSU") Plan: See "Restricted Share Unit Plan" on page 24 of this Circular for a summary of the terms and conditions of this plan.

Guidelines governing the ownership of Transat shares or DSUs[3] by executive officers require the latter to hold the equivalent of 1.5, 1.0 or 0.5 times their base salary after five years in office, depending on the position held, with the exception of the Chairman of the Board and Chief Executive Officer, for whom this multiple is set at 2.0 times his base salary.

The objective of the Long-Term Incentive Program is to ensure a target compensation value that serves to position the Total Compensation (base salary, annual bonus, options, stock ownership and RSUs as regards financial year 2007) in the first quartile of our reference market when all targeted objectives are reached, with the potential to exceed the reference market when all maximum objectives are attained.

Perquisites Program

The Perquisites Program is designed to provide a certain degree of flexibility with regard to the personal and financial situation of executive officers. The program provides for the allocation of a dollar value expressed as a percentage of base salary (which varies according to the position held), between 8% and 10% of base salary, allowing an executive officer to benefit from certain perquisites chosen among a range of perquisites we have predetermined.

The objective of the Perquisites Program is to ensure a target compensation value anchored at the median position of the reference market.

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., including 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 per year of service.

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

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

Compensation of the Chairman of the Board and Chief Executive Officer

The Total Compensation of the Chairman of the Board and Chief Executive Officer is determined according to the same policy, principles and objectives as those applicable to other executive officers, including with respect to his base salary, except that it is comparable to similar positions in the corporations making up the reference market.

Under the Short-Term Incentive Program ("STIP"), the Chairman of the Board and Chief Executive Officer is entitled to a target bonus representing 50% of his annual base salary. This bonus can reach a maximum of 125% of his annual base salary.

The Committee sets the Chairman of the Board and Chief Executive Officer's yearly performance objectives and performs his evaluation. This annual written evaluation is conducted by the Committee, submitted to the Board of Directors and discussed in the absence of the Chairman of the Board and Chief Executive Officer.

For 2007, the target bonus was to be earned upon achieving 100% of the planned EPS objective and exhibiting a fully satisfactory performance against personal objectives set by the Board of Directors.

[3] DSU grants were discontinued as of November 1, 2006, pursuant to the introduction of the RSU plan (see "Deferred Share Unit Plan" on page 26 of this Circular for a summary of the terms and conditions of this plan.

Bonus factors (EPS and personal performance) are cross-multiplying and the achievement spread for each factor is as follows:

1- EPS achievement spread: 0 to 2.25

2- Personal performance spread: 0 to 1.12

Actual bonus payment is computed as follows:

Bonus payable = Target bonus (50%) X EPS Factor (0 to 2.25) X Personal Factor (0 to 1.12)

Effective in our financial year 2007, the simplified three-component Long-Term Incentive Program, as applicable to the Chairman of the Board and Chief Executive Officer, makes him eligible to receive stock options representing 1.75 times his base salary as well as RSUs representing 30% of his base salary.

The Chairman of the Board and Chief Executive Officer is also eligible for the Employee Benefits Program including the Retirement Agreement and the Perquisites Program described herein.

Each component of the Total Compensation of the Chairman of the Board and Chief Executive Officer is reviewed annually by the Committee, in the absence of the Chairman of the Board and Chief Executive Officer and in accordance with the objectives and principles described under the heading "Executive Compensation Policy", which can be found at page 29 of this Circular.

In 2007, Mr. Jean-Marc Eustache received an annual base salary of $730,000 in his capacity as Chairman of the Board and Chief Executive Officer of Transat, was granted 34,295 stock options and 5,721 RSUs in accordance with the terms and conditions of the Stock Option Plan and the RSU Plan, respectively. Mr. Eustache was also awarded a cash bonus of $820,200 based upon Transat's achievement of earnings per share and Mr. Eustache's successful achievement of the goals set out for him by the Board for 2007. His additional year of service with Transat combined with changes in eligible earnings and interest rates earned him an annual pension award valued at $223,000.

For 2007, the Total Compensation of the Chairman of the Board and Chief Executive Officer was close to the market median. The following table summarizes the Chairman of the Board and Chief Executive Officer's total compensation over the last three years. This information is intended to complement the information required to be presented in the "Summary Compensation Table" on page 19.

Three Year Total Compensation 2005 - 2007 (in $)

	Cash Compensation			Equity				Pension Service Cost[5]	
YYear	Salary	Bonus (STIP)	Payment in lieu of restricted share grant[1]	Stock options (Black-Scholes)[2]	Restricted Share Units (RSUs)[3]	Deferred Share Units (DSUs)[4]	Total Direct Compensation		Total Compensation
2007	730,000	820,200	-	516,140	219,003	-	2,285,343	223,000	2,508,343
2006	695,250	869,062	69,525	389,661	Nil	69,525	2,093,023	198,000	2,291,023
2005	675,000	Nil	67,500	370,436	Nil	67,500	1,180,436	187,000	1,367,436

(1) Cash payments in lieu of an attribution of shares under the Permanent Stock Ownership Incentive Plan were discontinued as of November 1, 2006 pursuant to the introduction of the RSU Plan (see "Long-Term Incentive Program" on page 28 of this Circular).

(2) The compensation equivalent value of Transat's stock option grants is calculated by multiplying the number of options granted by their Black-Scholes value. For options granted in 2007, the key Black-Scholes assumptions used were a risk-free rate of 4.18%, a dividend yield of 0.97%, share price volatility of 40.0% and an expected life of 6 years. This yielded a Black-Scholes value of approximately $15.05 in respect of the financial year 2007.

(3) The value of the RSUs granted under the RSU Plan is calculated by multiplying the number of units granted by the weighted average trading price of the Voting Shares on the TSX for the five trading days preceding the date of the respective grants, namely $30.27 for 2007.

(4) The value of the DSUs granted under the DSU Plan (see "Deferred Share Unit Plan" on page 26 of this Circular for a summary of the terms and conditions of this plan) is calculated by multiplying the number of units granted by the weighted average trading price of the Voting Shares on the TSX for the five trading days preceding the date of the respective grants, namely $22.66 for 2006 and $22.34 for 2005. DSU grants were suspended as of November 1, 2006 pursuant to the introduction of the RSU plan (see "Long-Term Incentive Program" on page 28 of this Circular). Dividend equivalents are accrued at the same rate as dividend payments are made with respect to the Voting Shares.

(5) Annual pension service cost is the value of the projected retirement benefit earned for the year of service, credited for the specific fiscal year. For comparability and consistency, this value is determined using the same actuarial assumptions as for determining the year-end pension plan liabilities disclosed in Transat's financial statements in accordance with generally accepted accounting principles.

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.

As a result of this process, key moves in 2007 included the appointment of Jean-Luk Pellerin to the position of Vice President, Human Resources and Chief Talent Officer of Transat A.T. Inc. In the spirit of the personal involvement of each of our leaders, 60 of them have been met to reassess the conditions needed to support a better identification of our talent, a stronger follow-up on their development and more mobility within the corporation.

In 2007, Transat held its second Senior Management International Conference 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 early 2008. Also, Transat now invests significantly in the general development of management competencies for all of its 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.

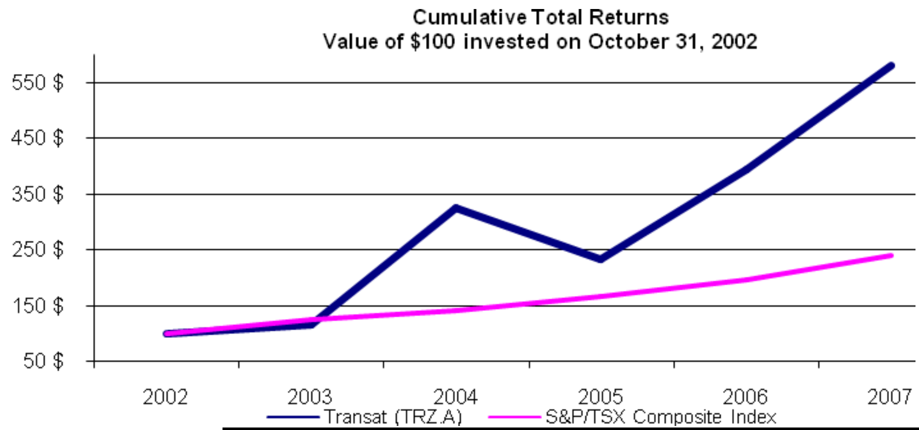
Submitted on behalf of the Committee by:

JEAN GUERTIN, CHAIRMAN, H. CLIFFORD HATCH JR., JOHN D. THOMPSON AND DENNIS WOOD

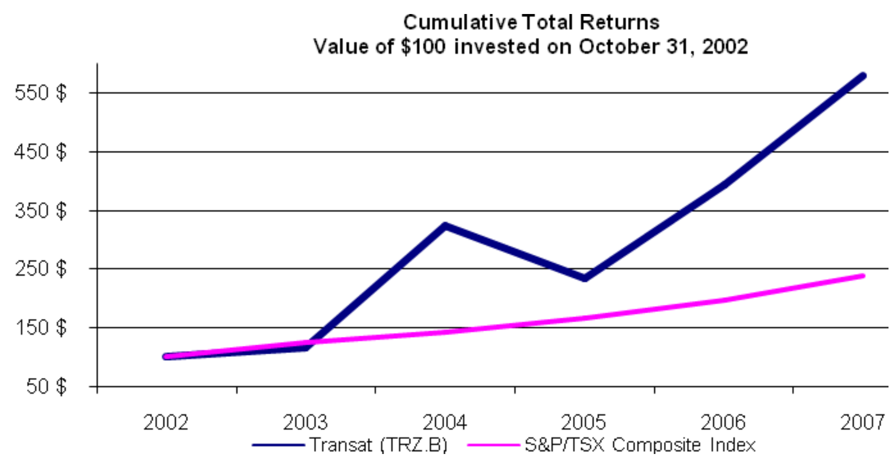
PERFORMANCE GRAPHS

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.



	October 31, 2002	October 31, 2003	October 31, 2004	October 31, 2005	October 31, 2006	October 31, 2007
TRZ.A	100 $	115 $	324 $	234 $	393 $	580 $
S&P/TSX Composite Index	100 $	124 $	142 $	166 $	197 $	239 $



	FINANCIAL YEAR ENDED					
	October 31, 2002	October 31, 2003	October 31, 2004	October 31, 2005	October 31, 2006	October 31, 2007
TRZ.B	100 $	115 $	324 $	230 $	393 $	579 $
S&P/TSX Composite Index	100 $	124 $	142 $	166 $	197 $	239 $

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.

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 ended November 30, 2007, our insurance policy provided a maximum coverage of $50,000,000 per claim, subject to a deductible of $100,000 payable by Transat. The premium paid under the policy for twelve months coverage was $363,000 and the policy has been renewed until April 2008.

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.

SHAREHOLDER PROPOSALS

We will examine shareholder proposals to be included in next year's Management Proxy Circular for the annual meeting of shareholders of 2009. Please forward us your proposals before October 24, 2008.

APPROVAL OF THE MANAGEMENT PROXY CIRCULAR

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

Montréal, January 21, 2008

BY ORDER OF THE BOARD OF DIRECTORS

Transat A.T. Inc.

Bernard Bussières
Vice-President, General Counsel and Corporate Secretary

SCHEDULE A -

RESOLUTION - APPROVAL OF THE 2008 RIGHTS PLAN

BE IT RESOLVED:

THAT the Amended and Restated Shareholder Rights Plan between the Corporation and CIBC Mellon, which was initially adopted by the Board of Directors of the Corporation on February 3, 1999 and ratified by the shareholders on March 24, 1999, which was renewed by the Board of Director on February 12, 2002 and ratified by the shareholders on March 27, 2002, which was again renewed by the Board of Directors on March 15 2005, and ratified by the shareholders on April 27, 2005, and which was renewed again by the Board of Directors on January 16 2008, the whole as described in the Management Proxy Circular attached hereto, be ratified;

THAT any officer or director of the Corporation be and is hereby authorized to execute and deliver such documents and instruments and to take such other actions as such officer or director may deem necessary or advisable to give effect to this resolution in his entire discretion, his determination being conclusively evidence by the execution and delivery of such documents or instruments and the taking of such actions.

SCHEDULE B -

THE 2008 RIGHTS PLAN

The 2008 Rights Plan will take effect at the time the Meeting terminates and will expire at the close of the annual meeting of shareholders of the Corporation to be held in 2011, unless it is terminated prior to such meeting.

Issue of Rights

In order to implement the 2008 Rights Plan, the Board of Directors authorized the Corporation to issue one right in respect of each Variable Voting Share and in respect of each Voting Share outstanding as of 5:00 p.m. (Montreal time) on March 12, 2008 (the "Effective Date"). One Right will also be issued and attached to each subsequently issued Variable Voting Share and Voting Share.

Rights-Exercise Privilege

The Rights will be separate from the shares to which they are attached and will become exercisable at the time (the "Separation Time") that is ten business days after the earlier of: (i) the first date of public announcement that an "Acquiring Person" (as defined below) has become such; (ii) the date of commencement of, or first public announcement in respect of, a take-over bid which will permit an offeror to hold 20% or more of the Variable Voting Shares or of the Voting Shares of the Corporation, other than by an acquisition pursuant to a take-over bid permitted by the Rights Plan (a "Permitted Bid" or a "Competing Permitted Bid", as defined below); (iii) the date upon which a Permitted Bid ceases to be a Permitted Bid; or (iv) such other date as may be determined in good faith by the Board of Directors.

The acquisition permitting a person (an "Acquiring Person"), including others acting jointly or in concert with such person, to hold 20% or more of the outstanding Variable Voting Shares or of the Voting Shares, other than by way of a Permitted Bid or a Competing Permitted Bid, is referred to as a "Flip-in Event." Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement (the "Stock Acquisition Date") by the Corporation or an Acquiring Person that an Acquiring Person has become such, will become null and void upon the occurrence of a Flip-in Event. Ten trading days after the occurrence of the Stock Acquisition Date, each Right (other than those held by the Acquiring Person) will permit the holder to purchase for the exercise price, that number of shares determined as follows: a value of twice the exercise price divided by the average weighted market price for the last 20 trading days preceding the Stock Acquisition Date. The exercise price is currently $100 per Right, subject to adjustment in accordance with the 2008 Rights Plan.

To the knowledge of the senior executives of the Corporation, as of January 21st, 2008, no natural or legal person (other than Pennant Capital Management LLC which qualifies as an "Investment Manager" under the 2008 Rights Plan) owns or owned 20% or more of the Variable Voting Shares or of the Voting Shares of the Corporation.

The Issue of Rights is not initially dilutive. Upon the occurrence of a Flip-in Event and the separation of the Rights from the attached shares, reported earnings per share on a fully diluted or non-diluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

Lock-Up Agreements

A bidder may enter into lock-up agreements with the shareholders of the Corporation whereby such shareholders agree to tender their shares to the take-over bid (the "Subject Bid") without a Flip-in Event occurring. Any such agreement must permit or must have the effect to permit the shareholder to withdraw the shares to tender to another take-over bid or to support another transaction that exceeds the value of the Subject Bid.

Certificates and Transferability

Prior to the Separation Time, the Rights will be evidenced by a legend imprinted on certificates for Variable Voting Shares and Voting Shares issued after the Effective Date. Rights are also attached to shares outstanding on the Effective Date, although share certificates will not bear such a legend. Prior to the Separation Time, Rights will not be transferable separately from the attached shares. From and after the Separation Time, the Rights will be evidenced by Rights certificates, which will be transferable and traded separately from the shares.

Permitted-Bid Requirements

A “Permitted Bid” is a take-over bid that does not trigger the exercise of Rights. A “Permitted Bid” is a bid that aims to acquire shares which, together with the other securities beneficially owned by the bidder, represent not less than 20% of the outstanding Variable Voting Shares or Voting Shares, which bid is made by means of a take-over bid circular and satisfies the following requirements:

i) The bid must be made to all holders of voting shares;

ii) The bid must include a condition without reservation providing that no share tendered pursuant to the bid will be taken up prior to the expiry of a period of not less than 60 days and only if at such date more than 50% in aggregate of the outstanding shares held by the shareholders other that the bidder, its associates and affiliates, and persons acting jointly or in concert with such persons (the “Independent Shareholders”) have been tendered pursuant to the bid and not withdrawn;

iii) The bid must include a condition to the effect that the shares may be tendered pursuant to the bid, unless the bid is withdrawn, at all times during the bid period and that all the shares tendered may be withdrawn until they are taken up and paid for; and

iv) If more than 50% in aggregate of the shares held by independent Shareholders are tendered to the bid within the 60-day period, the bidder must make a public announcement of that fact and the bid must remain open for deposits of shares for an additional 10 business days from the date of such public announcement.

The 2008 Rights Plan allows a competing Permitted Bid (a “Competing Permitted Bid”) to be made while a Permitted Bid is in existence. A Competing Permitted Bid is a take-over bid that is initiated while a Permitted Bid is outstanding and that satisfies all the requirements of a Permitted Bid except that it may expire on the latest of the following date; (i) on the same date as the Permitted Bid; or (ii) 35 days after the launch of such Competing Permitted Bid. The reduction of the time allotted for the acceptance of a Competing Permitted Bid is intended to permit, to the extent that is afforded by such reduction, that all take-over bids on which the shareholders of the Corporation must decide may be considered during the same prescribed time.

Waiver and Redemptions

The Board of Directors acting in good faith may, prior to a Flip-in Event, waive the dilutive effects of the 2008 Rights Plan in respect of a particular Flip-in Event that would result from a takeover bid made by way of takeover bid circular to all holders of shares, in which event such waiver would be deemed also to be a waiver in respect of any other Flip-in Event. The Board of Directors may also waive the 2008 Rights Plan in respect of a particular Flip-in Event that has occurred through inadvertence, provided that the Acquiring Person that inadvertently triggered such Flip-in Event reduces its beneficial holdings to less than 20% of the outstanding Variable Voting Shares or Voting Shares within 14 days or any other period that may be specified by the Board of Directors. At any time prior to the occurrence of a Flip-in Event, the Board of Directors may, subject to the prior approval of the holders of shares, elect to redeem all, but not less than all, of the outstanding Rights at a price of $0.0001 per right.

Exemption for Investment Managers

Investment managers (for client accounts), trust companies and pension funds (acting in their capacity as trustees and administrators) acquiring shares permitting them to hold 20% or more of the Variable Voting Shares or Voting Shares are exempt from triggering a Flip-in Event, provided that they are not making, or are not part of a group making, a take-over bid.

Supplements and Amendments

The Corporation is authorized to make amendments to the 2008 Rights Plan to correct any clerical or typographical error or to maintain the validity of the 2008 Rights Plan as a result of changes in laws or regulations. Prior to the Meeting, the Corporation is authorized to amend or supplement the 2008 Rights Plan as the Board of Directors may in good faith deem necessary or advisable. The Corporation will issue a press release relating to any material amendment made to the 2008 Rights Plan prior to the Meeting and will advise the shareholders of any such amendment at the Meeting. Material amendments or supplements to the 2008 Rights Plan will require, subject to the regulatory authorities, the prior approval of the shareholders or, after the Separation Time, holders of Rights.

Canadian Income Tax consequences of the 2008 Rights Plan

Under the *Income Tax Act* (Canada) (the "Tax Act"), while the matter may be debated, the issue of the Rights under the 2008 Rights Plan may be a taxable benefit, the fair market of value of which must be included in the income of a recipient. The Corporation considers that the Rights, when issued, will have no or negligible monetary value, there being only a remote possibility that the Rights will ever be exercised. The Rights will be considered to have been acquired at no cost. The holder of Rights may realize income or be subject to withholding tax under the Tax Act if the Rights become exercisable, are exercised or are otherwise disposed of.

The information provided above is of a general nature and is not intended to constitute, nor should it be construed as, legal or tax advice to any particular holder of shares. Such holders are advised to consult their own tax advisors regarding the consequences of acquiring, holding, exercising or otherwise disposing of their Rights, taking into account their own particular circumstances and applicable federal, provincial, territorial or foreign legislation.

Eligibility for investment

Provided that (i) each person who is an annuitant, a beneficiary, an employer or a subscriber under a particular plan deals at arm's length with the Corporation, and (ii) the Corporation remains a "public corporation" for purposes of the Tax Act, the Rights will, based on the law applicable on the date hereof, be qualified investments under the Tax Act for Registered Retirement Savings Plans, Registered Retirement Income Funds, Registered Education Savings Plan and Deferred Profit Sharing Plans. The Issue of Rights will not affect the status of the shares as qualified investments under the Tax Act and the regulations thereunder, nor will it affect the eligibility of such securities as investments for investors subject to certain Canadian and provincial legislation governing insurance companies, trust companies, loan companies and pension plans.

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 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":

	Transat's Governance
1. Board of Directors	
a) Disclose the identity of directors who are independent.	The Board of Directors is composed of twelve persons, of whom nine are independent for fiscal year ended October 31, 2007, namely André Bisson, John P. (Jack) Cashman, Benoit Deschamps, Jean Guertin, H. Clifford Hatch Jr., Jacques Simoneau, John D. Thompson, Dennis Wood and Jean Pierre Delisle. Mr. Benoit Deschamps will not be soliciting a renewal of his mandate as director of the corporation.
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, President, Chief Executive Officer and Chairman of the Board; (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, nine of twelve, 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 on pages 8 to 13 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	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, 2006, the Board has held nine meetings, each having an agenda which specifically provides for an "In Camera" session. Independent directors held six "In Camera"

and candid discussion among its independent directors.

sessions since November 1, 2006, 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 directors.

The Chairman of the Board and co-founder of the Corporation, Mr. Jean-Marc Eustache, is not an independent director. However, all three lead directors, namely Messrs. Bisson, Guertin 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 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 on pages 8 to 13 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 directors, and

ii) the nature and operation of the issuer's business.

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, 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 October 17, 2007, a presentation was made to the Board by external counsels on recent trends with respect to the duties and obligations of directors of public corporations. On December 12, 2007, a presentation was made to the Audit Committee members and some other board members by external auditors on asset-backed commercial paper.

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 which was adopted by the Board in 2004 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 full text of the Code of Ethics can be promptly provided upon written request or found at Schedule F of the Management Proxy Circular for the Annual and Special Meeting of Shareholders held on April 27, 2005 and made available on SEDAR at www.sedar.com. 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 constitutes a departure from the code.

(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.

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 (described hereinafter under item 9) contain specific questions pertaining to ethical business conduct.

	Transat's Governance
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 directors and officers compensation are disclosed on pages 8 to 13 and on page 19 of this Circular.
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 request or found at Schedule E of the Management Proxy Circular for the Annual and Special Meeting of Shareholders held on April 27, 2005 which is available on SEDAR at www.sedar.com.
d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial	Individual directors, through the committees, may engage outside advisors at the expense of the Corporation. The

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.

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 and 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 Committee takes into consideration the results of the survey and meets with each director.

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