



TRANSAT A.T. INC.

NOTICE OF 2006 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
AND MANAGEMENT PROXY CIRCULAR
CONCERNING THE

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD AT THE INTERNATIONAL CIVIL AVIATION ORGANIZATION, ROOM 3,
999 UNIVERSITY STREET, MONTRÉAL, QUÉBEC, CANADA

ON MARCH 15, 2006 AT 10:00 A.M. (EASTERN TIME)

January 18, 2006



WHAT'S INSIDE THIS MANAGEMENT PROXY CIRCULAR ?

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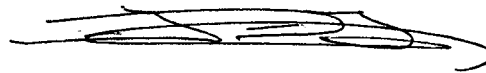
NOTICE OF THE 2006 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

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 **International Civil Aviation Organization, Room 3, Atrium Access, 999 University Street, Montréal, Québec, H3C 5H7, Canada, on March 15, 2006 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, 2005 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; and,
4. To consider and, if deemed appropriate, to adopt an ordinary resolution (the text of which is attached hereto as Schedule A), with or without amendments, for the purposes of confirming the amendments to the Corporation's By-Law 2003-1 (which was authorized and approved by the Board of Directors on February 4, 2003 and modified March 19, 2003), in order to notably decrease the quorum required to hold an annual or special meeting of shareholders from twenty-five percent (25%) to fifteen percent (15%) of the outstanding shares of Transat, the whole as described in the Management Proxy Circular attached hereto;
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 this Management Proxy Circular (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 Montreal, on January 18, 2006
BY ORDER OF THE BOARD OF DIRECTORS



Bernard Bussières
Vice-President, General Counsel and Corporate
Secretary

Transat A.T. Inc.

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 ("CIBC Mellon"), before 5:00 p.m. (Eastern Time), Monday, March 13, 2006 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. Proxies can be sent to our transfer agent: (i) by MAIL by completing, dating, signing and returning the enclosed form of proxy to CIBC Mellon Trust Company in the enclosed prepaid envelope provided for that purpose, before the above-mentioned date and time; or (ii) by FAX at (416) 368-2502. 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 section entitled "How can a Non-registered Shareholder Vote" 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"), please select the most convenient way for you to express your voting instructions (by fax or by mail) and follow the relevant instructions. Unless otherwise indicated, the information included herein is given as of January 18, 2006. 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, OUR ANSWERS ON PROXY VOTING

1. Q: WHO IS SOLICITING MY PROXY?

A: The management of Transat A.T. Inc. ("Transat" or the "Corporation") is soliciting your proxy for use at the Meeting scheduled to be held at the International Civil Aviation Organization, **Room 3, Atrium Access**, 999 University Street, Montréal, Québec, H3C 5H7, Canada, on Wednesday, March 15, 2006 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 appointment of Ernst & Young LLP as Transat's auditors; and
3. An ordinary resolution confirming the amendments to the Corporation's By-Law 2003-1 (which was authorized and approved by the Board of Directors on February 4, 2003 and modified March 19, 2003), in order to notably decrease the quorum required to hold an annual or special meeting of shareholders from twenty-five percent (25%) to fifteen percent (15%) of the outstanding shares of Transat, the complete text of which resolution is set out as Schedule "A" (the "Resolution Concerning the General By-Laws").

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 General By-Laws must be approved by a majority of the votes cast by all the shareholders of Transat (the "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 the Corporation's 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 Variable Voting Shares can only be owned or controlled by persons who are not Canadian and carry one vote per share unless: (i) the number of issued and outstanding Variable Voting Shares exceeds 25% of all the issued and outstanding voting shares, or (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting exceeds 25% of the total number of votes that may be cast at such meeting. If either of the above-noted thresholds would otherwise be surpassed at any time, the vote attached to each Variable Voting Share will decrease proportionately such that (i) the Variable Voting Shares as a class do not carry more than 25% of the aggregate votes attached to all issued and outstanding voting shares of the Corporation and (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting do not exceed 25% of the votes that may be cast at such meeting. The Voting Shares can only be owned and controlled by Canadians and always carry one vote per share. All the other rights, privileges, conditions and restrictions for the two classes of shares are the same.

The holders of Variable Voting Shares and Voting Shares will vote together at the Meeting and no separate meeting is being held for any such class of shares. Only votes attached to voting shares represented by shareholders present in person or represented by proxy at a meeting and legally entitled to be voted thereat can be exercised or cast at such meeting.

Pursuant to its powers under Transat By-law No. 1999-1 and the regulations under the Canada Business Corporations Act, and in accordance with the provisions of our Articles and the Canada Transportation Act, Transat's Board of Directors 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 18, 2006, we had 5,531,299 Variable Voting Shares and 28,196,718 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 30, 2006, 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 HOLDERS?

A: To the knowledge of our directors and officers, and based on publicly available information, as at January 18, 2006, the only persons who beneficially own or exercise control or direction over 10% or more of the outstanding Variable Voting Shares are:

- (i) Pennant Capital Management LLC, which owns 1,997,700 Variable Voting Shares, representing approximately 40.29% of all issued and outstanding Variable Voting Shares, based on the outstanding share data disclosed in Transat's press release issued on January 3, 2006, as stated in its early warning report dated as of January 16, 2006;
- (ii) Elm Ridge Capital Management, LLC, Elm Ridge Capital Partners, LP, Elm Ridge Value Partners, LP and Elm Ridge Offshore Master Fund, Ltd., which collectively owned 1,058,200 Variable Voting Shares, which represented approximately 16% of the total outstanding Variable Voting Shares as at December 31, 2005, as stated in their alternative monthly report dated January 9, 2006;
- (iii) Greenlight Capital, Inc., Greenlight Capital, LLC and DME Advisors, LP, which collectively owned or had the power to exercise control or direction over a total of 670,400 Variable Voting Shares, representing approximately 8.46% of the outstanding Variable Voting Shares (based on disclosure in the Offer to Purchase and Issuer Bid Circular of Transat dated November 14, 2005, which indicated 7,922,971 Variable Voting Shares outstanding as of November 11, 2005) as stated in their alternative monthly report dated as of December 9, 2005; and
- (iv) SAB Capital Advisors, L.L.C., which held 634,600 Variable Voting Shares, representing approximately 8.01% of all issued and outstanding Variable Voting Shares as reported by Transat in its Offer to Purchase and Issuer Bid Circular dated November 14, 2005, as stated in its alternative monthly report dated as of December 9, 2005.

Furthermore, pursuant to a letter dated October 14, 2005 addressed to the Board of Directors of Transat, the Corporation has been informed by JANA Partners LLC that it controlled at that date 2,676,800 Variable Voting Shares, representing 6.7% of Transat's total Variable Voting Shares and Voting Shares outstanding.

On January 3, 2006, the Corporation took up for payment and cancelled 1,780,797 Variable Voting Shares and 4,662,502 Voting Shares pursuant to its Offer to Purchase and Issuer Bid Circular dated November 14, 2005. As a result, since the publicly available information for the items (iii) and (iv) above is dated before January 3, 2006, the percentage and number of Variable Voting Shares provided under such items may be different as at January 18, 2006.

Based on publicly available information and to the knowledge of the directors and officers of the Corporation, as at January 18, 2006 no person or company beneficially owns or exercises control or direction of 10% or more of the Voting Shares.

7. Q: HOW DO I VOTE?

A: If you are eligible to vote and your shares are registered in your name, you can vote your shares in person at the Meeting or by proxy. You have two 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; or
- (ii) By mail, by completing and signing the enclosed proxy form and mailing it in the prepaid envelope provided.

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 13, 2006 (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 proxyholder to vote for you at the Meeting. You can use the enclosed proxy form, or any other proper form of proxy, to appoint your proxyholder. The persons named in the enclosed proxy form are directors or officers of Transat. **However, you can choose another person to be your proxyholder, 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 "Election of Directors" of this Circular;**
- ii) **FOR the appointment of Ernst & Young LLP as auditors of Transat; and,**
- iii) **FOR the adoption of the proposed Resolution Concerning the General By-Laws.**

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 meeting or any other matter duly brought before the Meeting.

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

11. Q: BY WHEN MUST I VOTE?

A: No later than 5:00 p.m. (Eastern Time) on March 13, 2006 (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. 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 in written form 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, Montreal, Québec, H2X 4C2, no later than two business days before the Meeting, namely by March 13, 2006 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.

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. Transat has retained Georgeson Shareholder Communications Canada, Inc., a proxy solicitation firm, for assistance in connection with the solicitation of proxies for the Meeting for a fee of approximately \$32,000 plus additional charges related to telephone calls and other services. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of shares registered in the names of these persons and Transat may reimburse them for 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 the securities. If you are a non-registered owner, and the issuer 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 application securities regulatory requirements from the intermediary holding on your behalf.

By choosing to send these materials to you directly, the issuer (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivery 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, 2005 and report of the auditors thereon, and the comparative financial statements for the years ended October 31, 2005 and 2004, which will be presented to the Shareholders at the Meeting, are included in the Corporation's Annual Report that has been mailed to the Shareholders and can be promptly provided upon written request and are available at www.sedar.com. No vote is required on this matter.

2. NOMINEES FOR ELECTION AS DIRECTORS

Pursuant to the Articles of the Corporation, the Board of Directors must consist of a minimum of nine and a maximum of fifteen directors. In accordance with a resolution adopted by our Board of Directors, the number of directors of the Corporation to be elected at the Meeting has been set at eleven.

Eleven directors will be put forward at the Meeting as nominees for election to the Corporation's Board of Directors. Each director will remain in office until the next Annual Meeting of Shareholders or until his 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 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 pages set out the names of proposed nominees for election as directors, together with their age, municipality of residence; year first elected as a director on our Board, current principal occupation and a description of the positions held over the five previous years. Also indicated for each nominee is the number of Voting Shares of the Corporation beneficially owned and controlled as at January 18, 2006; the committees on which he or she serves and the number of committee meetings and Board meetings he or she attended from March 23, 2005 to January 18, 2006 inclusively.

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

André Bisson, O.C.

Director since April 1995 – 76 years old, Montreal, Québec, Canada

André Bisson chairs the Audit Committee and is a member of the Corporation's Corporate Governance and Nominating Committee. He is one of the Corporation's three lead directors, and serves on the Executive Committee. Mr. Bisson is Chairman of the Board of CIRANO (Center of Interuniversity Research and Analysis on Organizations) and serves on the Canadian Advisory Board of *The Carlyle Group* (Washington, D.C.). Prior to 1988, Mr. Bisson was Vice-President and General Manager, Québec, for the Bank of Nova Scotia. Until recently, he was also Chancellor and Chairman of the Board of Université de Montréal. He also served on the boards of many corporations, including AXA Assurances Inc., Power Financial Corporation, Donohue Inc., Julius Baer Canada Investment Advisory Canada Ltd., Logistec Corporation, and Pirelli Cables and Systems North America. 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 l'Université de Montréal.

Voting Shares beneficially owned and controlled: 14,262

John P. (Jack) Cashman

Director since April 2005 – 65 years old, Toronto, Ontario, Canada

Since November 1996, Mr. Cashman is Chairman of the Board of Vectura Group Plc, U.K. and Advanced Surgical Concepts, Ireland, two corporations operating in the pharmaceutical and medical sector. He is currently President of the Board of Interface Biologics Inc. and serves on the boards of directors of Phoqus Limited, U.K., Bepak Plc, U.K. and Amtrol Inc., U.S.A. Prior to November 1996, Mr. Cashman was actively involved in the acquisition and privatization of R.P Scherer Corporation, a large multinational corporation specialized in drug delivery systems manufacturing. Mr. Cashman held the positions of Chairman of the Board and Co-President and Chief Executive Officer for this corporation, which became public on the New York Stock Exchange in October 1991.

Voting Shares beneficially owned and controlled: 0

Lina De Cesare

Director since May 1989 – 54 years old, Montreal, Québec, Canada

Ms. De Cesare is the Corporation's President - Tour Operators and one of its three founding members along with Messrs. Jean-Marc Eustache and Philippe Sureau. She is also President of several active subsidiaries of the Corporation, namely: Transat Europe Limited, Cameleon Hotel Management Corporation, Caméléon Marival (Canada) Inc., Transat Holidays USA (2000), Inc. and Transat Tours Canada Inc., the latter comprising three tour operators operating respectively under the banners Vacances Transat Holidays, Nolitours and Révatours. Ms. De Cesare also serves as director on the boards of several subsidiaries of the Corporation.

Voting Shares beneficially owned and controlled: 81,013

Benoît Deschamps

Director since April 1997 - 54 years old, Dorval, Québec, Canada

Mr. Deschamps serves on the Corporation's Corporate Governance and Nominating Committee as well as its Audit Committee. Mr. Deschamps is currently President of Champré Capital Inc., a corporate finance consulting services company. Prior to November 2000, he was Vice-President - Financial Planning and Treasurer of Vidéotron Ltée. Mr. Deschamps is also a director of Metcalfe & Mansfield Alternative Investments, since its incorporation in April 2002, which is the trustee of four publicly traded income trusts, namely, Diversified Investment Grade Income Trust, Global Diversified Investment Grade Income Trust, Global Diversified Investment Grade Income Trust II and Onyx Trust and several private-investment trusts, namely, Global Diversified Investment Private Income Trust, Silverstone Trust, MMAI I Trust, White Hall Trust, Foundation Trust and Ironstone Trust. Mr. Deschamps was also acting Chief Financial Officer of Metcalfe & Mansfield Alternative Investments from April 2002 to December 2005. Mr. Deschamps holds a M.B.A. and a Ph.D. in business administration (finance) from Georgia State University.

Voting Shares beneficially owned and controlled: 6,502

Jean-Marc Eustache

Director since February 1987 – 58 years old, Montreal, Québec, Canada

M. Eustache is Chairman of the Board, President and Chief Executive Officer of the Corporation, and Chairman of the Executive Committee as well, along with Ms Lina De Cesare and Mr. Philippe Sureau, one of its three founders. Mr. Eustache is also President of Look Voyages S.A. and Chairman of Transat Tours Canada Inc., two subsidiaries 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 Québecor Inc., a publicly listed company and is also director of several non-profit organizations, such as the Cercle des présidents du Québec, Espace Go Theatre, UQAM Foundation 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).

Voting Shares beneficially owned and controlled: 489,710

Jean Guertin

Director since April 1995 – 61 years old, Montreal, Québec, Canada

Jean Guertin chairs the Human Resources and Compensation Committee and serves on the Audit Committee. He is one of the Corporation's three lead directors and serves on the Executive Committee. Mr. 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 of directors and Chief Executive Officer of Société Gasbeau and from 1999 to 2001 and he was Chairman of the Board and senior executive advisor at Société Télémedia. Mr. Guertin currently serves on the boards of several corporations, including Canadian Helicopters Income Fund, for which he sits on its audit committee, and the Canadian Investors Protection Fund, for which he serves on the investment, strategy and nomination committees. He chairs the Investment Committees of Desjardins Venture Capital and Desjardins Innovatech and chairs the Retirement Committee at HEC Montréal. He also serves on several advisory boards, including that of Voyages Aller Retour Limitée and StarLink Aviation and sits on the Board of several non-profit organizations. Mr. Guertin holds a M.B.A. and a Ph.D. in finance both from Harvard University.

Voting Shares beneficially owned and controlled: 5,596

H. Clifford Hatch Jr.

Director since March 2001 - 64 years old, Toronto, Ontario, Canada

Mr. H. Clifford Hatch Jr. chairs the Corporate Governance and Nominating Committee and serves on the Human Resources and Compensation Committee. He is one of the Corporation's three lead directors and serves on the Executive Committee. Mr. Hatch Jr. is President and Chief Executive Officer of Aurdisyl Management Corporation and Cliffco Investments Limited. Mr. Hatch Jr. serves on the boards of several corporations, including Consolidated HCI Limited, for which he acts as non executive Chairman of the Board, lead director 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, M. Hatch was President and Chief Executive Officer 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. From 1987 to 1991, he was Chief Financial Officer of Allied-Lyons PLC (London, England). Mr. Hatch chairs the Advisory Council of the Pape Avenue Resource Centre and is a member of the Ontario executive committee of the Institute of Corporate Directors. Mr. Hatch Jr. holds a B.A. (Honours) in economics and political sciences from McGill University, as well as a M.B.A. from Harvard University.

Voting Shares beneficially owned and controlled: 3,374

Jacques Simoneau

Director since November 2000 - 48 years old, Saint-Bruno-de-Montarville, Québec, Canada

Jacques Simoneau is President and Chief Executive Officer of Hydro-Québec CapiTech Inc., a subsidiary of Hydro-Québec and a venture capital corporation specialized in energy. since November 2004. Prior to assuming his current position, he was Senior Vice-President of the Fonds de solidarité des travailleurs du Québec (F.T.Q.) from 1999 until November 2004. He also held executive positions at Société Innovatech du sud du Québec, Advanced Scientific Computing and Alcan. Mr. Simoneau presently serves on the boards of several corporations, including Hydro-Québec CapiTech Inc., Sustainable Development Technology Canada and Société de développement économique Ville-Marie. 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. Mr. Simoneau is a mechanical engineer and holds a M.Sc. as well as a Ph.D. obtained in 1990, both degrees are in mechanical engineering from Queen's University in Kingston, Ontario. He is a member of the Ordre des ingénieurs du Québec and the Professional Engineers of Ontario.

Voting Shares beneficially owned and controlled: 3,000

Philippe Sureau

Director since February 1987 - 56 years old, Montreal, Québec, Canada

Mr. Sureau is the Corporation's President - Distribution and one of its three founders along with Mr. Jean-Marc Eustache and Ms. De Cesare. Mr. Sureau is also President and Chairman of the Board of Euro Charter, S.A.S., Vacances Transat S.A.S., Consultour Inc. and also serves on the board of directors of several affiliates of the Corporation. Philippe Sureau 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). As a travel industry professional, his chief contribution has been in public relations as director of communications, marketing, sales strategy and corporate relationship. More recently, he served as President and Chief Executive Officer 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 contributions, 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.

Voting Shares beneficially owned and controlled: 364,262

John D. Thompson

Director since April 1995 - 71 years old, Montreal, Québec, Canada

John D. Thompson serves on the Corporation's Human Resources and Compensation Committee as well as its Audit Committee. Mr. Thompson is Deputy Chairman of the Montreal Trust Company of Canada, a wholly owned subsidiary of the Bank of Nova Scotia and marketer of financial and trustee services to individuals, businesses and other types of organizations. Prior to 1994, he was President and Chief Executive Officer of Montreal Trust and Chairman of the Board of RoyNat Inc. Mr. Thompson currently serves on the board of directors of certain corporations of the Scotia Bank Group, including Scotia General Insurance Company, National Trust Company, Scotia Life Insurance Company, Scotia Mortgage Corporation and The Bank of Nova Scotia Trust Company. He also serves on the boards of several corporations, including The Mortgage Insurance Company of Canada, Shermag inc. and 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).

Voting Shares beneficially owned and controlled: 13,000

Dennis Wood, O.C.

Director since March 2004 - 66 years old, Magog, Québec, Canada

Since 1973, Dennis Wood has been President of DWH Inc., a venture capital corporation which invests in various industries. Prior to 2002, Mr. Wood was Chairman of the Board, President and Chief Executive Officer of C-MAC Industries Inc., which was merged with Soletron Corporation of California in 2000. Mr. Wood currently serves on the boards of several corporations, including Le Groupe Jean Coutu (PJC) Inc. for which he chairs the Strategic Planning and Liaison Committee and sits on the Audit Committee, Blue Mountain Wallcoverings Inc., Groupe Bocenor Inc., for which he also chairs the Executive Committee, and National Bank Trust Inc., where he also chairs the Ethics committee and serves on the Audit Committee. He also acts as consulting director for Ezeflow Inc. and Westwind Capital Corporation. Finally, he is a member of the board of the Orchestre Métropolitain du Grand Montréal. Mr. Wood has an honorary Ph.D. in administration, obtained in 1987 from the Université de Sherbrooke, Québec.

Voting Shares beneficially owned and controlled: 7,143

CERTAIN PROCEEDINGS

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, 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) Dennis Wood, who is currently a director of 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 Québec Superior Court on August 5, 2004, and (ii) Mr. H. Clifford Hatch Jr. who was a director of Geneka Biotechnologie Inc. until March 7, 2003 and Geneka Biotechnologie Inc. made an assignment in bankruptcy on June 1, 2003.

BOARD COMMITTEES; COMPOSITION AND ATTENDANCE SINCE THE LAST ANNUAL MEETING

Each year, after election of the directors at the annual meeting of shareholders, the Corporate Governance and Nominating Committee makes recommendations to the Board of Directors on the distribution of the Board members between its committees. Since March 23, 2005, the Board Committees are composed of the following members:

	Committee meetings attended from 2005-03-23 to 2006-01-18	Board meetings attended from 2005-03-23 To 2006-01-18
AUDIT COMMITTEE		
André Bisson	5/5	12/12
Benoît Deschamps	5/5	12/12
Jean Guertin	5/5	10/12
John D. Thompson	5/5	11/12
CORPORATE GOVERNANCE AND NOMINATING COMMITTEE		
H. Clifford Hatch Jr.	4/4	11/12
André Bisson	4/4	12/12
Benoît Deschamps	4/4	12/12
Jacques Simoneau	4/4	12/12
HUMAN RESOURCES AND COMPENSATION COMMITTEE		
Jean Guertin	6/6	10/12
H. Clifford Hatch Jr.	6/6	11/12
John D. Thompson	6/6	11/12
Dennis Wood	6/6	11/12
EXECUTIVE COMMITTEE		
André Bisson	2/2	12/12
Jean-Marc Eustache	2/2	12/12
Jean Guertin	2/2	10/12
H. Clifford Hatch Jr.	1/2	11/12
OTHER DIRECTORS		
John P. (Jack) Cashman*	N/A	9/11
Lina De Cesare	N/A	11/12
Philippe Sureau	N/A	12/12

* Director Only Since April 27, 2005.

YEAR IN REVIEW

REPORT OF THE CORPORATE GOVERNANCE AND NOMINATING COMMITTEE

The Corporate Governance and Nominating Committee (the "Committee") closely monitors evolving corporate governance guidelines and best practices and the Board of Directors' overall performance. The Board's mandate and role includes but is not limited to: (i) overseeing and approving the corporate strategy and its implementation; (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; and (v) approving and ensuring the performance of the Corporation's legal obligations.

The Corporation believes that a good corporate governance system is an important asset that promotes enhanced performance and preserves the value of shareholder equity.

Corporate Governance Initiatives

The Committee is made up of four independent directors whose powers and mandate are set out in the Committee's charter (which can be promptly provided upon written request and can be found at Schedule "F" of the Management Proxy Circular for the Annual and Special Meeting of Shareholders on April 27, 2005 available on SEDAR at www.sedar.com). The Committee members initiated the review and update of Transat's Corporate Governance Manual adopted by the Board in 2003 (the "Manual"). This ongoing review includes updating the overall Manual and each of the Board and Committee Charters in light of new governance legislation, rules and guidelines, including: (i) Transat Governance Practices (which abide by the National Policy 58-201 "Corporate Governance Guidelines" and National Instrument 58-101 "Disclosure of Corporate Governance Practices". See Transat's alignment with these requirements at Schedule B of this Circular), (ii) the new National Instruments: of the Canadian Securities Administrators (CSA) 52-109 "Certification of Disclosure in Issuer's Annual and Interim Filings", 52-110 "Audit Committees", 52-111 "Reporting on Internal Control Over Financial Reporting" 58-101 "Disclosure of Corporate Governance Practices" and 58-201 "Corporate Governance Guidelines" all of which came into effect in 2005, (except for National Instrument 52-111 which has been postponed until financial year 2007); and (iii) the amendments to the *Securities Act* (Ontario) relating to new secondary market liability regime in Ontario which became effective December 31, 2005.

The Committee has closely monitored the implementation of Transat's Code of Ethics throughout Transat and its subsidiaries, except in France where the Code is currently being adapted to comply with French law. The Code of Ethics was adopted in 2003 and updated in 2005, made available to every employee of Transat during the financial year 2005 and posted on Transat's corporate website (as well as on Schedule "F" of the Management Proxy Circular for the Annual and Special Meeting of Shareholders on April 27, 2005 available on SEDAR at www.sedar.com).

Pursuant to its mandate, the Committee reviewed risk and emergency measures relating to the Corporation's operations including: risk management of information systems, tour operators, airlines & aircraft activities, insurance coverage and financial approval processes (including those for our French subsidiaries).

Board / Committee Composition

The majority of the eleven directors sitting 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 chairman of each of the Audit Committee, Human Resources & Compensation Committee and Corporate Governance & Nominating Committee, are all independent directors. In November 2005, the Committee recommended a list of director nominees taking into consideration the diversity and composition of the Board, and the range and overall variety of business experience of the nominees.

Assessing Performance

During December 2005 and January 2006, 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. Furthermore, and with the objective of adding a second yearly evaluation in order to assess individual director contribution, each of the directors was given a list of questions and asked to reflect as to how he or she can become a more effective director.

Directorships / Independence and Attendance

All directors, with the exception of Ms. De Cesare, Messrs. Eustache and Sureau (all three being 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 above). Independent directors hold "In Camera" sessions at regularly scheduled Board meetings, at which time non-independent directors and members of management are not in attendance.

Orientation and Continuing Education

The Committee resolved to better structure and formalize director orientation and continuing education while weighing costs and benefits relating to such activities. In order to control costs, the Committee suggested that Transat's external legal and financial counsels provide working sessions with the directors, on a regular basis, in order to update directors on evolving governance trends, requirements and guidelines. As well, the Corporation's Director - Internal Audit, responsible among other things, for implementing National Instrument 52-111 "Reporting on Internal Control Over Financial Reporting", shall be given the responsibility (upon his commencement date in January 2006) of preparing a working session to heighten director awareness and knowledge of corporate internal controls.

Ethical Business Conduct

In order to promote best practices and ensure ethical business conduct, in 2004 the Board adopted a Charter of Expectations for Directors (which is available at Schedule "G" of the Management Proxy Circular for the Annual and Special Meeting of Shareholders on April 27, 2005 available on SEDAR at www.sedar.com) which sets out the professional and personal competencies and characteristics expected from Transat Directors; these include, amongst others, responsibilities, attendance at meetings, diligence, international experience and accountability. As well, section 1.1.13 of the Manual states clearly the parameters for the disclosure and management of potential conflicts of interest, guidelines to which the directors are currently subject.

Other Board Committees

The Board has no committees other than those of the Executive Committee, Audit Committee, the Human Resources and Compensation Committee and the Corporate Governance and Nominating Committee. The Board of Directors and each of its committees have charters which state their respective mandates and define the roles and responsibilities of members, including each chairman. In the past year, the Human Resources and Compensation Committee yearly work program was updated to reflect senior management's initiative relating to the bi-annual performance review of pension funds managed on behalf of the Corporation (the Human Resources and Compensation Committee Charter is available at Schedule "E" of the Management Proxy Circular for the Annual and Special Meeting of Shareholders on April 27, 2005 available on SEDAR at www.sedar.com).

Corporate Disclosure Policy

The Corporate Governance and Nominating Committee is currently formalizing, through the adoption of a disclosure policy, the process by which the Corporation is currently disclosing its corporate information. It is intended that the policy shall be implemented by a sub-committee which shall report to the Audit Committee and henceforth to the Board of Directors. Its members shall include most senior officers of the Corporation responsible for, amongst other thing, earnings announcements, analyst reports, calls and meetings, the use of forward-looking information, dealing with rumours and quiet periods. It is intended that the policy shall provide 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.

Director Compensation

The annual fees awarded to directors are \$15,000 in cash, plus an additional amount of \$3,000 per year paid at a quarterly rate of \$750 in Deferred Share Units ("DSU") valued at the market value of each share at the time that the DSUs are attributed. The additional annual fees payable to each Chairperson of the Board of Directors' Committees or to each lead director are \$5,000 per year while the fees payable to each Committee member are \$2,000 per year. The attendance fee is \$1,200 for each Board or Committee meeting unless it is held by conference call, in which case the attendance fee is \$750. Each director is also entitled to an annual grant of stock options equal to \$15,000. The director can choose to have 0 to 100% of the annual fees and supplements paid in the form of DSUs. Under the guidelines adopted by Transat, each director who is not an employee must hold a number of shares or DSUs equivalent to three times the base annual fees to which they are entitled after having served three years as director.

Our independent compensation consultants recently conducted a study and review of our Directors' compensation by comparing overall directors' compensation in Transat's reference market. Transat has approved the revised schedule of Director's compensation to be effective after Transat's Annual and Special Shareholders' Meeting scheduled for March 15, 2006, as follows: (i) Directors' fees established at \$22,500.00 per annum; (ii) Deferred Share Units (DSUs) grants totalling \$8,000.00 per annum (payable \$2,000.00 per quarter); (iii) Board and Committee meeting fees : \$1,500.00 per meeting (\$900.00 if a meeting is held by telephone); (iv) Supplemental fees for Lead Directors: \$7,500.00 per annum or Chair of a Committee - Audit Committee: \$7,500.00 per annum and other Committees: \$6,000.00 per annum and, for a member of a Committee: \$3,000.00 per annum, and (v) Stock Options : no new grants, suspended indefinitely.

Annual Strategy Session

A full day of director meetings and strategy sessions were held in June 2005. These were exclusively dedicated to identifying risks, opportunities and the creation of value in the travel tourism industry. The Committee then overviewed the research, drafting and review of a plan that culminated with the Board's unanimous approval, in October 2005, of a three-year strategic plan focusing on growth in new and existing markets and increased profitability for Transat and its subsidiaries in the coming years.

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended October 31, 2005.

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

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

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 2005, the aggregate amounts billed for professional services provided by the auditors to the Corporation and its subsidiaries were approximately \$964,000 for audit and audit-related fees, \$449,000 for tax fees and \$0 for all other non-audit fees; the comparative figures for 2004 were approximately \$900,000 and \$500,000, 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 was compatible with maintaining the auditors' independence and have concluded such was the case. In order to better define the limits within which such services are provided to the Corporation, the Board adopted, in addition to the Audit Committee charter, a Policy respecting the Pre-Approval of Audit and Non-Audit Services.

4. AMENDMENTS TO BY-LAW 2003-1 IN ORDER TO REDUCE THE QUORUM

On February 4, 2003, the Board of Directors of the Corporation repealed the general by-laws of the Corporation and authorized and approved the adoption of By-Law 2003-1, which generally dealt with the business and internal affairs of the Corporation. The By-Law 2003-1 came in the wake of the then amendments to the *Canada Business Corporations Act*, which came into force on November 24, 2001. At the annual and special meeting of shareholders held on March 19, 2003, Transat asked its shareholders to confirm the By-Law 2003-1, which took effect following its adoption by the Board of Directors on February 4, 2003. Under By-Law 2003-1 approved by the Board on February 4, 2003, the required quorum to hold an annual or special meeting of shareholders was 10% of the outstanding shares of the Corporation entitled to vote at a shareholders' meeting (present or represented by proxy). During the March 19, 2003 annual and special meeting of shareholders and in response to the request of the Fonds de solidarité des travailleurs du Québec (F.T.Q.), which held at that time more than 10% of the then outstanding common shares, section 2.3 of By-Law 2003-1 was amended in order to require a quorum of 25% of the outstanding shares of the Corporation entitled to vote at a Shareholders meeting (present or represented by proxy). By-Law 2003, as amended, was confirmed by Transat's shareholders at the annual and special shareholders meeting held on March 19, 2003.

Since then; (i) the interest of the Fonds de solidarité des travailleurs du Québec (F.T.Q.) decreased to less than 10% of the outstanding Voting Shares, (ii) the demographics of the Corporation's shareholders has changed and is increasingly widely held, and (iii) the Corporation encountered significant costs and administrative challenges in order to attain the 25% quorum threshold at its April 27, 2005 Annual or Special Meetings of Shareholders. In fact, despite continuous efforts to obtain proxies, the quorum stood at only 22.05% two days before that meeting. Thus, the Board of Directors of the Corporation believes that it is in the interest of Transat and its Shareholders to decrease the 25% quorum requirement and recommends that the Shareholders adopt the resolution stated at Schedule "A" in order to notably decrease the quorum required to hold a meeting of shareholders to 15% of the outstanding shares of the Corporation entitled to vote at a meeting of shareholders, present or represented by proxy.

The amendments to By-Law 2003-1 took effect upon their approval by the Board of Directors on February 3, 2006. However, the *Canada Business Corporations Act* provides that the Board of Directors must submit such amendments to By-Laws 2003-1 to the shareholders for approval at the meeting.

The Corporation will therefore ask shareholders to examine and, should they deem it appropriate, approve, by simple majority of the votes cast at the meeting, the ordinary resolution confirming the amendments to By-Law 2003-1, a copy of which is attached hereto as Schedule "A".

Unless a shareholder indicates that he intends to vote against, the shares represented by the proxy form enclosed herewith will be voted in favour of the ordinary resolution confirming the amendments to By-Law 2003-1.

INFORMATION CONCERNING TRANSAT

INTEREST OF OUR DIRECTORS AND EXECUTIVE OFFICERS

The following information describes the direct or indirect interest of each person who has been a director or executive officer of Transat during the last fiscal year, particularly as beneficial owners of the Corporation's securities. The following information is given as at January 18, 2006 and is based on the declarations of our directors or executive officers, as applicable.

Director or executive officer	Voting Shares beneficially owned or over which control or direction is exercised	Number of Voting Shares that may be subscribed under subscription warrants	Number of Voting Shares that may be acquired under the Stock Option Plan	Number of DSU (Deferred Share Unit Plan)
MICHEL BELLEFEUILLE	317	–	1,359	–
ANDRÉ BISSON, O.C.	14,262	6,500	11,535	171
BERNARD BUSSIÈRES	22,308	325	21,214	734
JOHN P. (JACK) CASHMAN	–	–	671	111
LINA DE CESARE	81,013	13,000	46,352	2,505
ANDRÉ DE MONTIGNY	12,566	–	29,899	732
BENOÎT DESCHAMPS	6,502	–	4,395	171
JEAN-MARC EUSTACHE	489,710	32,500	171,631	6,846
NELSON GENTILETTI	10,968	–	33,780	939
DANIEL GODBOUT ⁽¹⁾	29,253	–	24,215	836
ALLEN B. GRAHAM	12,969	–	24,507	955
JEAN GUERTIN	5,596	–	6,833	171
H. CLIFFORD HATCH JR.	3,374	–	4,395	420
FRANÇOIS LAURIN	–	–	5,825	349
LOUISE PICHÉ	9,268	–	24,056	710
JACQUES SIMONEAU ⁽²⁾	3,000	–	671	171
PHILIPPE SUREAU	364,262	–	45,752	2,451
JOHN D. THOMPSON	13,000	–	2,943	563
DENNIS WOOD, O.C. ⁽³⁾	7,143	–	1,627	637

(1) 203 Voting Shares are held by Josée Godbout.

(2) Until November 19, 2004, Mr. Jacques Simoneau was under the employment of the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (the "Fonds") and sat on our Board of Directors as a Fonds' representative. Due to this position, and pursuant to the Fonds' code of ethics, Mr. Simoneau was not authorized to hold Transat Voting Shares.

(3) 4,000 Voting Shares are held through Dennis Wood Holdings Inc.

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 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 Transat's executive officers are 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. With regards to Transat's subsidiaries located in France, the compensation policy is based on similar principles, but is adjusted to reflect the specific context of the French 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, selected with the help of a reputable external advisor, namely Martineau Consulting, 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. With the help of Martineau Consulting, 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 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: a stock option plan, a permanent stock ownership incentive plan and a deferred share unit plan ("DSU");
- (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 salaries¹ in the 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 (as well as all positions within Transat) 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, with the exception 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 exceeding the earnings per share ("EPS") and earnings before taxes ("EBT") budgeted by Transat, depending on the position as well as the individual performance of each employee.

The objective pursued by applying the compensation principles described above is to provide a 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

The Long-Term Incentive Program has the following three permanent components, namely:

- (i) **Stock Option Plan:** The objective of the Voting Shares Stock Option Plan for our directors, officers and employees is to link part of the executive officers' compensation with the creation of added value for our Shareholders. Subject to the approval of the Board of Directors, the Chairman of the Board and Chief Executive Officer recommends to the Committee which other reporting executive officers are to be granted stock options as well as the aggregate number of options that may be granted.²
- (ii) **Permanent Stock Ownership Incentive Plan:** The Permanent Stock Ownership Incentive Plan is designed to promote the acquisition and holding by our eligible executive officers of a significant block of Transat Voting Shares, in order to motivate them to create added value for shareholders and to favour the retention of these executive officers. Subject to participation in the Share Purchase Plan offered to all our employees, by subscribing annually for a number of Voting Shares, the total subscription price of which is equal to 5% or 10% of the executive officer's salary depending on the position held, we will annually grant to each eligible executive officer a number of Voting Shares, the total subscription price of which shall be equal to the aforementioned percentage of salary contributed. The

¹ "Median salary" means a salary set at the 50th percentile of the reference market.

² See "Stock Option Plan" for a summary of the terms and conditions of this plan.

Voting Shares we thus grant will vest progressively to the eligible executive officer, subject to his retaining, during the vesting period, all the Voting Shares subscribed for under our Share Purchase Plan.*

- (iii) Deferred Share Unit Plan: The goal of this plan is 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 shares as well as the interest of the executive officers in increasing the price of Transat's shares.

Under the DSU plan, each executive officer will be granted a number of DSUs each year. With the exception of the Chairman of the Board and Chief Executive Officer, the number of DSUs granted can be obtained by dividing 3% or 6% of the base salary of the given executive officer, depending on the position held, by the market price of the Transat share at the time of granting.

DSUs thus granted will be held by the executive officer until his departure, death or retirement, whichever is the earliest, at which time all credited DSUs will be redeemed in cash by Transat at the market price of the Transat share at that time.**

We have adopted guidelines governing the ownership of Transat shares or DSUs by executive officers requiring the latter to hold the equivalent of 1.5, 1.0 or 0.5 times their base salary after five (5) 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 DSUs) 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.

* See "Permanent Stock Ownership Incentive Plan" for a summary of the terms and conditions of this plan.

** See "Deferred Share Unit Plan" for a summary of the terms and conditions of this plan.

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 based on similar positions in the corporations making up the reference market. In addition, under the Short-Term Incentive Program, the Chairman of the Board and Chief Executive Officer is entitled to a bonus representing 50% of his annual base salary. This bonus can reach a maximum of 125% of his annual base salary.

Under the Long-Term Incentive Program, the Chairman of the Board and Chief Executive Officer is eligible to receive stock options representing 1.0 time his base salary as well as Deferred Share Units (DSUs) representing 10% of his base salary. He is also eligible to receive in lieu of his participation in the Permanent Stock Ownership Incentive Plan, a payment equal to 10% 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 19 of this Circular.

In 2005, Mr. Jean-Marc Eustache received an annual base salary of \$675,000 in his capacity as Chairman of the Board and Chief Executive Officer of Transat and was granted 30,215 stock options and 3,021 DSUs in accordance with the terms and conditions of these plans as well as \$67,500 in lieu of his participation in the Permanent Stock Ownership Incentive Plan.

For 2005, the Total Compensation of the Chairman of the Board and Chief Executive Officer is slightly below the market median mainly because of the absence of any earned bonus given that the objectives were not met under the Short-Term Incentive Program.

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.

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 Human Resources and Compensation Committee. For this purpose, in 2004 Transat launched a systematic "Talent Management and Succession Planning" process. Since then the Committee reviews, at each of its meetings, 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.

Submitted on behalf of the Committee by:

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

EXECUTIVE COMPENSATION - SUMMARY COMPENSATION TABLE

The following table sets forth the Total Compensation 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."

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			
		Annual Salary (\$)	Annual Bonus ⁽¹⁾ (\$)	Other Annual Compensation ⁽²⁾ (\$)	Awards		Payouts	
					Securities Under Options Granted (#)	Shares / Units Subject to Resale Restrictions ⁽³⁾ (\$)	LTIP Payouts ⁽⁴⁾ (\$)	All Other Compensation ⁽⁵⁾ (\$)
Jean-Marc Eustache								
President, Chairman of the Board and CEO of Transat;	2005	675,000	–	54,000 ⁽⁶⁾	30,215	– / 67,500	–	67,500
President, Look Voyages S.A.;	2004	600,000	607,000	–	38,253	59,994 / 60,000	239,715	–
Chairman of the Board, Transat Tours Canada Inc.	2003	560,000	126,000	–	147,368	53,994 ⁽⁷⁾	–	–
Philippe Sureau								
President, Distribution, and President, Consultour Inc.	2005	400,000	–	–	11,996	– / 24,000	–	40,000
	2004	360,000	267,480	–	15,378	21,600	130,683	–
	2003	312,700	51,596	–	55,134	30,140 ⁽⁷⁾	–	–
Lina De Cesare								
President, Tour Operators, Cameleon Hotel Management Corporation, Transat Tours Canada Inc. and Transat Europe Ltd.	2005	420,000	–	–	12,596	– / 25,200	–	42,000
	2004	360,000	297,000	–	15,378	35,987 / 21,600	122,540	–
	2003	312,700	111,596	–	55,134	30,140 ⁽⁷⁾	–	–
Nelson Gentiletti⁽⁸⁾								
Executive Vice-President, Transat Tours Canada Inc.	2005	315,000	–	–	7,050	24,230 / 9,450	–	–
	2004	275,000	189,025	–	18,607	26,998 / 8,100	126,016	–
	2003	250,000	87,500	–	32,974	24,101 ⁽⁷⁾	–	–
Allen B. Graham								
President and CEO, Air Transat A.T. Inc.	2005	305,000	–	–	6,826	23,462 / 9,150	–	–
	2004	285,000	213,750	–	9,085	28,494 / 8,550	83,311	–
	2003	265,000	99,375	–	34,868	25,548 ⁽⁷⁾	–	–
François Laurin^(7/8)								
Vice-President, Finance and Administration and CFO	2005	111,538	–	–	5,825	– / 7,500	–	–
	2004	–	–	–	–	–	–	–
	2003	–	–	–	–	–	–	–

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

(2) 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 or restricted share units granted under the Permanent Stock Ownership Incentive Plan or the DSU Plan is calculated by multiplying the number of shares or units granted to each Named Executive Officer by the closing price of Transat Voting Shares on the Toronto Stock Exchange on the date of the respective grants, namely \$22.86 for 2005, \$16.08 for 2004 and \$5.50 for 2003. As at October 31, 2005, an aggregate holding of 134,587 restricted shares valued at \$1,541,624 and 19,684 restricted share units (DSUs) valued at \$481,000 for a total value of \$2,022,624, are subject to restrictions on resale. From that number of restricted shares, a total of 3,449 vest in January, 2006; 73,752 will vest in February 2006; 18,988 in July 2006; 2,475 in January, 2007; 24,239 in February 2007; 974 in July 2007 and 10,710 in January, 2008; restricted share units (DSUs) vest upon a director or officer leaving his or her position. No dividend or dividend equivalent will be paid on such restricted shares and restricted share units.

(4) Amounts paid upon the maturity, on January 30, 2004, of the SAUs granted once only in 2002.

(5) Paid in lieu of the Permanent Stock Ownership Incentive Plan.

(6) Paid under the Perquisites Program.

(7) The DSU Plan was adopted and came into force on May 18, 2004.

(8) Mr. Nelson Gentiletti held the position of Vice-President, Finance and Administration and Chief Financial Officer of the Corporation up to and until May 23, 2005 and Mr. François Laurin was appointed Vice-President, Finance and Administration and Chief Financial Officer on May 24, 2005, and his posted annual salary is prorated accordingly.

Stock Option Plan

On December 5, 1995, the Board of Directors adopted a common stock (renamed voting stock as of April 27, 2005) option plan for our directors, officers and employees. This plan was amended on February 27, 1997, May 11, 1999, April 17, 2002 and April 27, 2005 (the "Option Plan").

The 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 Toronto Stock Exchange over the five trading days preceding the granting of Options. As at October 31, 2005, a balance of 1,034,296 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 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 offeror 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 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 if: (i) 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) 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) individuals who constitute our Board of Directors on March 27, 2002, 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 27, 2002, 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) 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 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.

Stock Options are granted annually in multiples of the salary based on the salary grade of the position held; the multiples that apply to executive officers vary between 0.50 and 0.67 times their salary, with the exception of the Chairman of the Board and Chief Executive Officer.

Option Grants During the Financial Year Ended October 31, 2005

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	30,215	23.7%	22.34	21.70	2015-05-10
Philippe Sureau	11,996	9.4%	22.34	21.70	2015-05-10
Lina De Cesare	12,596	9.9%	22.34	21.70	2015-05-10
Nelson Gentiletti	7,050	5.5%	22.34	21.70	2015-05-10
Allen B. Graham	6,826	5.4%	22.34	21.70	2015-05-10
François Laurin	5,825	4.6%	21.46 ⁽²⁾	21.90	2015-05-23

(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.

(2) François Laurin's options were issued on the date he was hired May 24, 2005 at an exercise price of \$21.46.

As at October 31, 2005, a total of 796,069 options were issued and outstanding. During the financial year ended October 31, 2005, 52,875 options were granted at \$22.34 to holders other than the Named Executive Officers; no option was cancelled and/or expired during this financial year, and 456,992 options were exercised.

Options Exercised During the Financial Year Ended October 31, 2005

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	131,238	2,400,996	76,862	94,769	335,060	608,954
Philippe Sureau	26,661	485,468	9,124	36,628	1,743	228,065
Lina De Cesare	41,679	817,600	9,324	37,028	1,743	228,065
Nelson Gentiletti	17,194	313,438	5,683	28,097	0	136,273
Allen B. Graham	16,689	299,592	2,276	22,231	0	144,092
François Laurin	0	0	1,941	3,884	0	0

(1) The value of unexercised in-the-money options* was calculated using the closing price of Transat Voting Shares on the Toronto Stock Exchange on October 31, 2005, (namely, \$16.02) less the exercise price of the in-the-money options.

(*NOTE: An option is regarded as being "in-the-money" at financial year-end if the market value of the underlying securities on that date is higher than the option exercise price.)

Share Purchase Plan for the Benefit of All Employees and Executives

On February 12, 1989, our Board of Directors introduced a share purchase plan (the "Share Purchase Plan") for the benefit of its employees and executives as well as the employees and executives of its subsidiaries) (the "Participant"). This plan was amended on February 6, 1991, May 22, 1992, May 14, 1993, December 5, 1995, October 19, 2004 and April 27, 2005.

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, 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 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* 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 November 1, 2004, 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 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 a majority of voting securities allowing the election of the directors of Air Transat 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.

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 this financial year, we issued 23,102 Voting Shares under the Share Purchase Plan and, as at October 31, 2005, we are authorized to issue 649,875 Voting Shares.

Stock Ownership and Capital Accumulation Incentive Plan for Managers

On October 19, 2004, our Board of Directors adopted the Stock Ownership and Capital Accumulation Incentive Plan for Managers ("Transcapital"). Only managers working in positions belonging to salary grades 7 through 10 at Transat are eligible to participate in Transcapital, with the exception of top managers (salary grades 1 through 6), who are eligible to participate in the Permanent Stock Ownership Incentive Plan described below (the "Participant").

Upon each annual enrolment period beginning November 1, 2004, eligible managers have the option to enrol in Transcapital through monthly contributions by means of payroll deductions of 1%, 2%, 3% or 4% of their base salary to Transat's Share Purchase Plan, for the purposes of subscribing to newly issued Transat shares at 90% of their market price. Transat will attribute to each Participant of Transcapital an additional number of shares purchased on the secondary market whose price corresponds to 25%, 33 1/3% or 50% of the Participant's monthly contribution, depending on the salary grade of his or her position. Participants may contribute more than 4% and up to 10% of their salary, but without benefiting from any attribution of additional shares by Transat above and beyond 4% of their salary. Shares subscribed by a Participant may not be sold prior to July 1 of the following year. Moreover, shares attributed by Transat in a given year will only vest to the Participant at a rate of 1/3 on January 10 of the following year, 1/3 on July 1 of the following year and 1/3 on July 1 of the second following year.

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

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

Permanent Stock Ownership Incentive Plan for Top Managers

On June 29, 1999, our Board of Directors adopted a permanent stock ownership incentive plan (the "Stock Ownership Incentive Plan"). The Stock Ownership Incentive Plan 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. During this period, 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 are eligible (salary grades 1 through 6 of Transat) to join the 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 price 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 or in the event that he or she dies, 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 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.

Voting Shares Granted During the Financial Year Ended October 31, 2005

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	0 ⁽³⁾	0
Philippe Sureau	0 ⁽³⁾	0
Lina De Cesare	0 ⁽³⁾	0
Nelson Gentiletti	1,060	2008-01-10
Allen B. Graham	1,026	2008-01-10
François Laurin	0	0

(1) Voting Shares attributed monthly from November 1, 2004 to October 31, 2005.

(2) Maturity date on which all attributed shares vest, subject to each Named Executive Officer having retained all the Voting Shares subscribed for under Transat's Share Purchase Plan.

(3) Not eligible, see footnote 5 of the Summary Compensation Table at page 23.

Retirement Agreements

We have entered into a standard retirement agreement with certain of our executive officers (the "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 came into effect on May 1, 1999 and were revised in April 2001, then again in November 2002, November 2003 and twice in November 2004 for certain agreements only.

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* and by the average eligible earnings.** 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 of each Named Executive Officer for 2005 are as follows:

Name	Eligible Earnings (\$)
Jean-Marc Eustache	\$818,170
Philippe Sureau	\$440,991
Lina De Cesare	\$437,259
Nelson Gentiletti	\$365,223
Allen B. Graham	\$370,500
François Laurin	\$325,000

* 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 after the effective date of the standard retirement agreement, as the case may be, plus the number of calendar years and fraction of calendar years served with Transat prior to the effective date of the standard retirement agreement.

** 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.

For the purpose of calculating their retirement allowances, on October 31, 2005, Mr. Jean-Marc Eustache had 26.766 eligible years of service credited, Mr. Philippe Sureau, 26.766, Ms. Lina De Cesare, 24.656, Mr. Nelson Gentiletti, 3.181, Mr. Allen B. Graham, 3.000 and Mr. François Laurin, 0.434.

The following table indicates the estimated annual retirement allowances* 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

* 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.

On October 31, 2005, the amount of the estimated annual retirement allowances payable at the usual retirement age of 65, to the Named Executive Officers under the standard retirement agreements, without taking into account deductions of benefits payable pursuant to the Pension Plan and those payable under the Québec Pension Plan is equal to \$437,983 for Mr. Jean-Marc Eustache, \$236,071 for Mr. Philippe Sureau, \$215,621 for Ms. Lina De Cesare, \$17,427 for Mr. Nelson Gentiletti, \$16,943 for Mr. Allen B. Graham and \$2,116 for Mr. François Laurin.

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 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).

DIRECTORS' COMPENSATION

For the financial year which ended on October 31, 2005, the annual fees were \$15,000 per annum, plus an additional amount of \$3,000 per annum paid at a quarterly rate of \$750 in Deferred Share Units (DSUs) valued at the market value of a Transat Voting share at the time that the DSUs are attributed. The additional annual fees payable to each Chairperson of a Committee of our Board of Directors or to a Lead Director are \$5,000 per annum while the fees payable to each Committee member are \$2,000 per annum.

Each director who was not our employee or an employee of our subsidiaries was entitled to receive attendance fees of \$1,200 for each Board or Committee meeting, unless the meeting was conducted by conference call, in which case the attendance fee was \$750. Each director who was not our employee was entitled to an annual grant of Stock Options in accordance with the terms and conditions of our Stock Option Plan. The number of Options granted during a regular annual granting to a director who is not our employee is equal to \$15,000, divided by the price* per share at the time of granting. In 2005, a total of 5,368 options were granted at a price of \$22.34 to directors not employed by Transat.

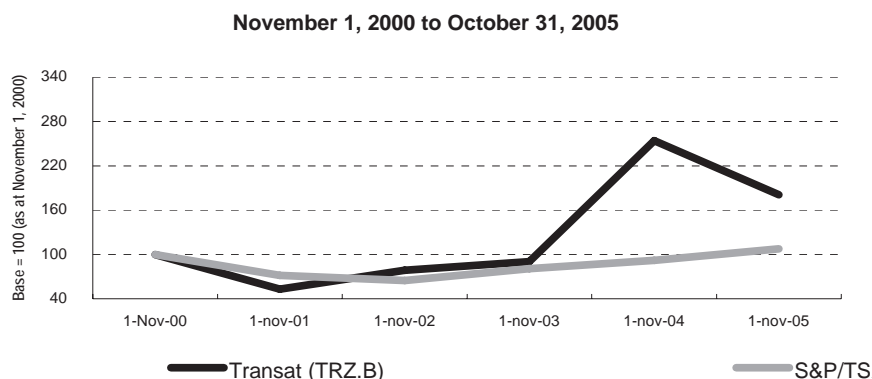
Earlier in 2004, we implemented a Deferred Share Unit Plan ("DSU") to better link the compensation of directors to the creation of added value for shareholders. Under this plan, directors may request that 0 to 100% of their annual fees or additional fees be credited as Deferred Share Units (DSUs). Each 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 shares at that time.

Under the guidelines adopted by Transat, each director who is not an employee must hold a number of shares or DSUs equivalent to three times the base annual fees to which they are entitled after having served three years as director.

As earlier stated in the Corporate Governance and Nominating Committee Report under the section entitled "Director Compensation", our Directors' compensation shall be adjusted as of this Meeting, please refer to page 15 of this Circular for details.

RETURN ON THE SHARES

The following graph compares the cumulative total return obtained on an investment of \$100 in the Common Shares (now known as Voting Shares) of Transat made on November 1, 2000 to the cumulative total return of the TSX Composite Index of the Toronto Stock Exchange over the last five fiscal years.** The Toronto Stock Exchange has informed Transat that its TSX trading symbol "TRZ.RV.A" representing Variable Voting Shares shall be modified June 14, 2006 and thereupon the current symbol shall be posted as "TRZ.A". The return on TRZ.RV.A Variable Voting Shares is not displayed hereunder given that they were issued on March 3, 2005 and a 5 year history is not yet available.



* The price per share is equal to the weighted average value of the share price upon closing of the Toronto Stock Exchange during the five trading days preceding the date of exercise.

** All prices of the Transat Common Shares are taken from the files of the Toronto Stock Exchange, and the results represent those of the last trade carried out on the Transat securities on the Toronto Stock Exchange, on October 31 of the year in question.

Indebtedness of Directors and Executive Officers

None of Transat's directors, executive officers or senior officers 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, senior officers 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, including Look Voyages.

For the period beginning December 1, 2004 and ending November 30, 2005, our insurance policy provides 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 12 months coverage was \$363,000 and the policy has been renewed for 2006.

ADDITIONAL INFORMATION

More information on us 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 Management Proxy Circular with each of these provinces' securities commissions. We also file an annual information form with these same commissions.

Questions and Further Assistance: If you have any questions about the information contained in this document or require assistance in completing your proxy form, please contact the Corporation's proxy solicitation agent at: **Georgeson Shareholder Communications Canada, Inc.**, 100 University Avenue, 11th Floor, South Tower, Toronto, Ontario, M5J 2Y1, North American Toll Free Number: **1-866-853-9731**.

SHAREHOLDER PROPOSALS

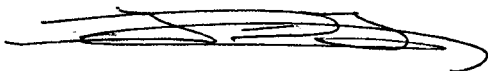
We will examine shareholder proposals to be included in next year's Management Proxy Circular for annual meeting of shareholders of 2007. Please forward us your proposals before October 20, 2006.

APPROVAL OF THE MANAGEMENT PROXY CIRCULAR

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

Montreal, January 18, 2006

BY ORDER OF THE BOARD OF DIRECTORS



Bernard Bussières
Vice-President, General Counsel and Corporate Secretary

SCHEDULE A –

“RESOLUTION CONCERNING THE GENERAL BY-LAWS”

BE IS RESOLVED:

“**THAT** the following amendments to By-Law no. 2003-1, which amendments were authorized and approved by the Board of Directors of the Corporation on February 3, 2006 and took effect on such date:

Replacement of section 2.3 by the following text:

“2.3 Quorum and Adjournment

Quorum – No less than two (2) shareholders holding fifteen percent (15 %) of the outstanding shares of the Corporation entitled to vote at a meeting, present at the meeting or presented by proxy, shall constitute a quorum for the transaction of business at the meeting.

Adjournment – If a quorum is not present within 30 minutes of the opening of the meeting, the meeting may be adjourned at such date, and at such time and place as may be designated by the chairperson of the meeting. At the adjourned meeting, the holders of shares of the Corporation present in person or by proxy, whether or not they hold at least fifteen percent (15 %) of the outstanding variable voting shares and outstanding voting shares of the Corporation, and entitled to vote at the meeting, whether or not they were present or represented at the original meeting, shall constitute a quorum and may transact the business for which the meeting was originally called”

Addition of the following text after the second paragraph of section 2.4 entitled “Chairman”:

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

be and they are hereby confirmed;

THAT any Officer or Director of the Corporation be and is hereby authorized to execute and deliver such documents and to take such actions necessary or simply advisable, in his sole discretion, to give effect to this resolution.”

SCHEDULE B

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 Toronto Stock Exchange 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 11 persons; of those persons, André Bisson, John P. (Jack) Cashman, Benoît Deschamps, Jean Guertin, H. Clifford Hatch Jr., Jacques Simoneau, John D. Thompson and Dennis Wood are independent.

(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.

The Directors who are not independent are the founders and current employees 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, eight of eleven, are independent directors as defined in Multilateral Instrument 52-110 of the Canadian Securities Administrators.

(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 other corporate boards at page 9 of this Circular.

Transat's Governance

(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.

(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.

(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.

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.

Directors 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. Since November 1, 2005, the Board has held five meetings, each having an agenda which specifically provides for an "In Camera" session. Independent directors, at their sole discretion, held no "In Camera" session since November 1, 2005.

The Chairman of the Board and co-founder of the Corporation, Mr. Jean-Marc Eustache, is not an independent Director; however, all lead directors (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. 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 Corporate Governance and Nominating Committee assess, In Camera, the performance of the Chairman and reviews the results with him and the Board while members of the Human Resources and Compensation Committee conduct, In Camera, an annual assessment of the President and Chief Executive Officer and examines the results with him and the Board.

See the full attendance record of each Director for each of the Board and its Committees at page 13 of this Circular.

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 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 or found at Schedules D and E of the Management Proxy Circular for the Annual and Special Meeting of Shareholders held on April 27, 2005 and at Schedule B of the Notice of Annual and Special Meeting of Shareholders and Management Proxy Circular for the meeting held on March 19, 2003, both Circulars are 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 currently being updated in light of TSX's, the Ontario Securities Commission and the Canadian Securities Administrators' new corporate governance guidelines and requirements.

(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 at Schedule 7. of the Corporation's Governance Manual. As well, new directors are made fully aware of Transat's Charter of Expectations for Directors (the full text of which can be promptly provided upon written request or found at Schedule G of the Management Proxy Circular for the Annual and Special Meeting of Shareholders held on April 27, 2005 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.

Directors attend, at the least on a yearly basis, a full day of continuing education focused on the organization, marketing and distribution of worldwide holiday travel. As well, are discussed at such sessions, matters relating to distribution, travel agency networks, air transportation and value-added services at travel destinations. Since October 31, 2005, additional continuing education included sessions dealing with regulatory, legal and financing issues for publicly traded companies.

5. Ethical Business Conduct

(a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:

- (i) disclose how a person or company may obtain a copy of the code;
- (ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and
- (iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.

(b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.

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

(i) As indicated above, Directors are expected to respect Transat's Charter of Expectations for Directors (the full text of which can be promptly provided upon written request or found at Schedule "G" 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).

(ii) As well, Transat Directors, officers and employees are subject to the provisions of the Corporation's Code of Ethics (the full text of which 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. The Board, through its Corporate Governance and Nominating Committee, reviews the implementation and respect of the Code of Ethics throughout the Corporation and its subsidiaries.

(iii) There have been no 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 Charter of Expectations or the Code of Ethics.

The Corporation's Code of Ethics states clearly that directors and executive officers should avoid any transaction or event that could potentially create a conflict of interest. Should an event or a transaction occur in respect of which a Director or executive officer has a material interest, full disclosure to the Board is required and such Director must abstain from voting on any such matter.

Transat's Code of Ethics, Charter of Expectations for Directors, best governance practices (included in its Governance Manual) together with statements included in the Board and Committee charters encourage and promote an overall culture of ethical business conduct. The Board's adherence to these measures and principles also encourages an ethical business conduct throughout the Corporation.

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:

ii) 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.

The Corporate Governance and Nominating Committee charter which describes the responsibilities, powers and operation of the nominating committee can be promptly provided upon written request or found at Schedule D 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.

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, 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' compensation are disclosed on page 16 of this Circular.

Transat's Governance

(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.

(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.

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.

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.

The Human Resources and Compensation Committee is composed entirely of independent directors.

The Human Resources and Compensation Committee charter which describes the responsibilities, powers and operation of the compensation 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.

Individual directors, through the committees, may engage outside advisors at the expense of the Corporation. The Corporate Governance and Nominating Committee coordinates such requests.

In 2005, the services of a reputable outside consulting firm specialized in compensation was retained to assist the Board and the Human Resources and Compensation Committee in fulfilling their respective duties and responsibilities. During 2005, Martineau Consulting was mandated to provide on-going outside consulting assistance in all aspects of fixed and variable compensation for directors and officers and generally speaking for the management of the Corporation.

The Board has no other standing committees other than those of the Executive Committee, the Audit Committee, the Human Resources and Compensation Committee and the Corporate Governance and Nominating Committee.

On an annual basis, 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, and with the objective of adding a second yearly evaluation in order to assess individual director contribution, in December 2005 each of the directors was given a list of questions and asked to reflect as to how he or she can become a better director.

