TRANSAT A.T. INC.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED OCTOBER 31, 2013

DECEMBER 11, 2013

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In this Annual Information Form ("**AIF**"), "we", "our", "us", "Transat" and the "Corporation" refer to Transat A.T. Inc. together with one or more of its subsidiaries or Transat A.T. Inc. itself, as the context may require. All dollar figures referred to in this AIF are references to Canadian dollars, except where otherwise noted. The information contained in this AIF is reported as of October 31, 2013, being our financial year-end, unless otherwise indicated. The following is a list of our registered and unregistered trademarks and designs that are referred to and used as such in this AIF: our star logo and our mosaic featured on the cover of this AIF, Air Transat, ACE, Amplitravel, Bennett Voyages, Cameleon, Canadian Affair, Club Voyages, Euro Charter, Exitnow.ca, Jonview Canada, Lookéa, Lookéko, Look Voyages, Marlin Travel, Merika Tours, Nolitours, Transat Discoveries/Transat Découvertes, Tourgreece, Trafictours, Transat, Transat Holidays/Vacances Transat, Transat Holidays USA, TravelPlus, Tripcentral.ca, Turissimo, Vacances Tours Mont-Royal, TMR Holidays, TMR & Design and Voyages en Liberté. Any other trademarks, designs or corporate, trade or domain names used in this AIF are the property of their owners.

1. CORPORATE STRUCTURE

1.1 NAME AND INCORPORATION

Transat A.T. Inc. (hereafter "**Transat**") was incorporated under the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 (the "***Canada Business Corporations Act***") by Certificate of Incorporation dated February 13, 1987. Since its incorporation, Transat has amended its Articles by way of Certificates of Amendment to make the following material changes:

(i) change its name to "Transat A.T. Inc.";

(ii) establish the minimum number of directors at nine and the maximum at fifteen and enable the Board of Directors to appoint directors during a given year;

(iii) provide for the creation of an unlimited number of Preferred Shares issuable in series, leading to the creation of 2,400,000 Series 1 Preferred Shares, 250,000 Series 2 Preferred Shares and an unlimited number of Series 3 Preferred Shares;

(iv) subdivide each common share on the basis of three common shares for each issued and outstanding common share;

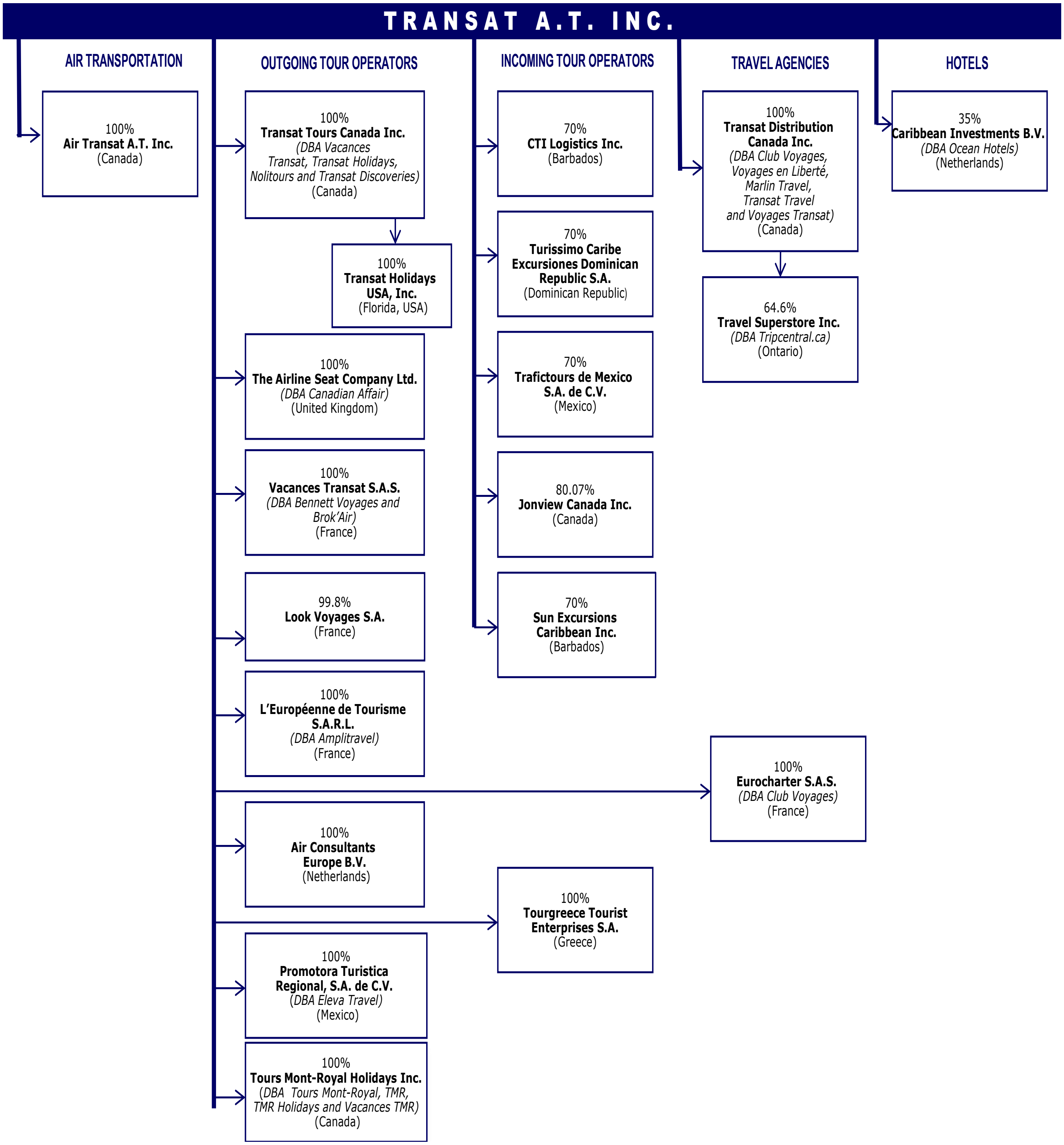
(v) introduce constraints on the issue and transfer of our voting shares in order for us to remain a "Canadian" corporation within the meaning of the *Canada Transportation Act*, S.C. 1996, c. 10 (the "***Canada Transportation Act*** "); and

(vi) create an unlimited number of Class A Variable Voting Shares (the "**Variable Voting Shares**") and an unlimited number of Class B Voting Shares (the "**Voting Shares**"); convert each issued and outstanding common share which is not owned and controlled by a Canadian within the meaning of the *Canada Transportation Act* into one Variable Voting Share; convert each issued and outstanding common share owned and controlled by a Canadian within the meaning of the *Canada Transportation Act* into one Voting Share; cancel each issued and outstanding common share so converted; cancel the unissued common shares of Transat and substitute thereto, with the required adaptations, the Variable Voting Shares and the Voting Shares for the purpose of exercising all rights of subscription, purchase or conversion relating to the common shares so cancelled; and supersede prior restrictions on the issue and transfer of our voting shares stated in (v) above.

Transat's head office is located at Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montréal, Québec, Canada H2X 4C2.

1.2 INTER-CORPORATE RELATIONSHIPS

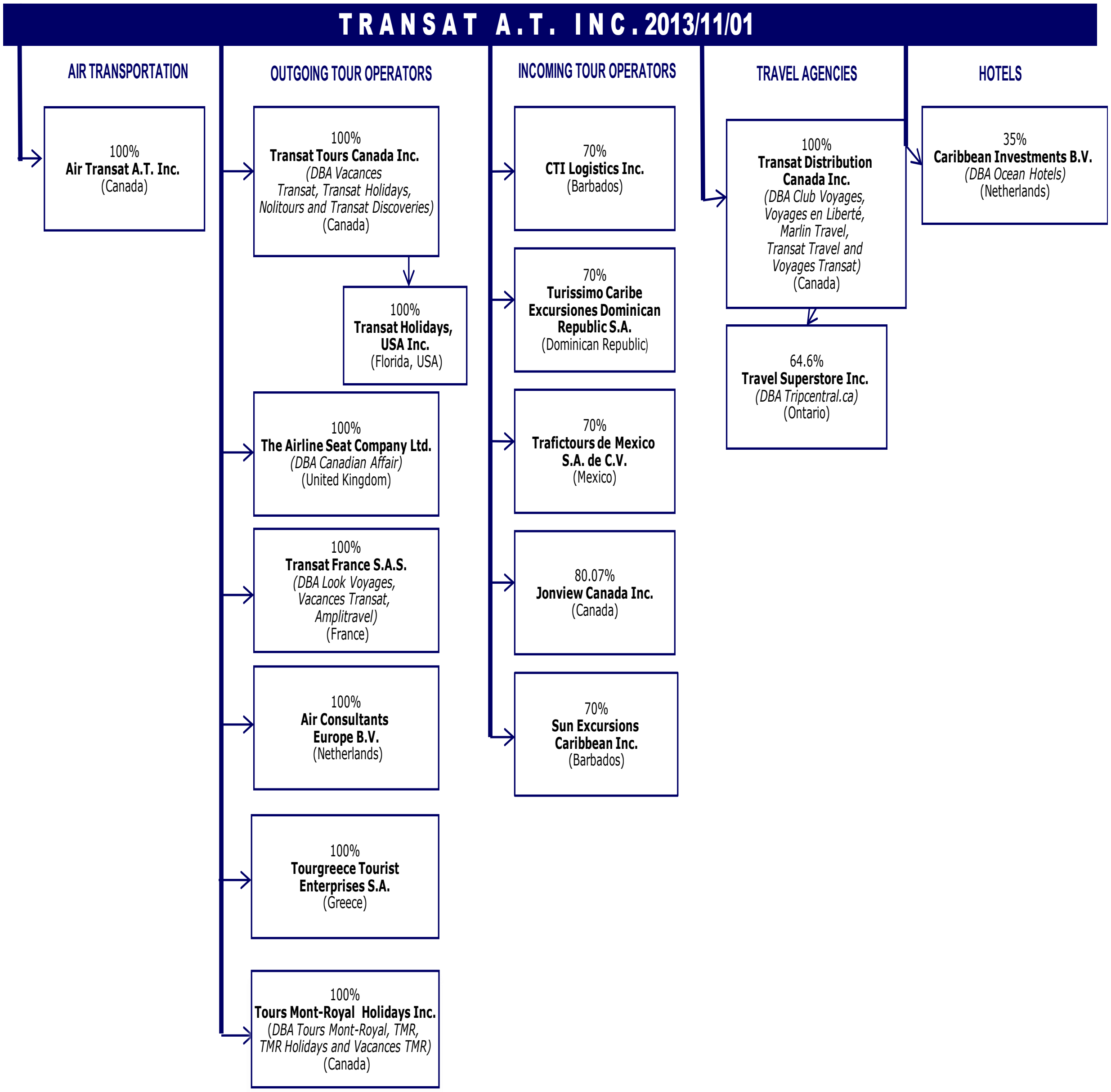
The following chart sets out our corporate structure. We have omitted certain subsidiaries, each of which represents not more than 10% of our consolidated assets and not more than 10% of our consolidated sales and operating revenues and all of which, in the aggregate, represent not more than 20% of our consolidated assets and not more than 20% of our consolidated sales and operating revenues.



NOTE: DBA: Doing Business As

On August 23, 2013, Transat France entered into four draft merger agreements with each of its French subsidiaries (Look Voyages, Transat Holidays, Euro Charter and l'Européenne de Tourisme). Under those draft agreements, Transat France absorbed each of its subsidiaries, effective November 1, 2013.

The organization chart below presents the corporate structure after the above-mentioned mergers and takes into account that, after three (3) years of operation, it was decided on October 23, 2013 to carry out an orderly termination of the operations of Promotora Turistica Regional, S.A. de C.V. in Mexico, operating under the name Eleva Travel.



2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 THE HOLIDAY TRAVEL INDUSTRY

The "holiday travel" industry consists mainly of tour operators, traditional and online travel agencies, destination service providers, hotel operators and air carriers. Each of these subsectors includes companies with different operating models.

Generally, "outgoing" tour operators purchase the various components of a trip locally or abroad and sell them separately or in packages to consumers in their local markets, through travel agencies or via the Web. "Incoming" tour operators design travel packages or other travel products consisting of services they purchase in their local market for sale in foreign markets, generally through other tour operators or travel agencies. Destination service providers are based at destination and sell a range of optional services to travellers onsite for spontaneous consumption, such as excursions or sightseeing tours. These companies also provide outgoing tour operators with logistical support services, such as ground transfers between airports and hotels. Travel agencies, operating independently or in networks, are distributors serving as intermediaries between tour operators and consumers. Air carriers sell seats through travel agencies or through tour operators that use them in building packages, or directly to consumers.

2.2 CORE BUSINESS, VISION AND STRATEGY

2.2.1 Core Business

Transat is one of the largest integrated tour operators in the world. We operate solely in the holiday travel industry and market our services mainly in the Americas and Europe. As a tour operator, Transat's core business involves developing and marketing holiday travel services in package and air-only formats. We operate as both an outgoing and incoming tour operator by bundling services bought in Canada and abroad and reselling them primarily in Canada, France and the U.K. and in ten other European countries, directly or through intermediaries, as part of a multi-channel distribution strategy. Transat is also a retail distributor, both online and through travel agencies, some of which it owns. Transat deals with numerous air carriers, but relies on its subsidiary Air Transat A.T. Inc. ("**Air Transat**") for a significant portion of its needs. Transat offers destination services in Canada, Mexico, the Dominican Republic and Greece. Transat holds an interest in a hotel business that owns and operates properties in Mexico and the Dominican Republic.

2.2.2 Vision

As a leader in holiday travel, Transat intends to pursue growth by inspiring trust in travellers and by offering them an experience that is exceptional, heart-warming and reliable. Our customers are our primary focus, and sustainable development of tourism is our passion. We intend to expand our business to other countries where we see high growth potential for an integrated tour operator specializing in holiday travel.

2.2.3 Strategy

To deliver on its vision, the Corporation intends to continue deriving synergies from its vertical integration model, which distinguishes it from several of its rivals; growing its market share in France, where it ranks among the largest tour operators; and tapping into new markets or expanding operations in markets not yet fully served. To increase its buying power for its traditional destinations, Transat is targeting new markets with potential demand for these routes.

Alongside these initiatives, Transat intends to leverage targeted technology investments and efficiency gains from changes to its internal management structure to improve its margin and maintain or grow market share in all its markets. Cost management remains a core strategic issue in light of the tourism industry's slim margins.

Transat acknowledges the growing strategic importance of sustainable development in the holiday and air travel industries. This phenomenon, heightened by the anticipated growth in tourism and air travel, manifests itself in various ways, particularly through regulations and tariffs on greenhouse gas emissions and higher customer and investor expectations in this area. Given this trend and the indirect interest tourism companies have in seeing the environment protected and destination communities remaining amenable to tourism, Transat undertook to adopt avant-garde policies on corporate responsibility and sustainable tourism. In doing so, the Corporation targets the following benefits, in particular: lower resource consumption, with the associated cost savings; brand differentiation and greater customer loyalty, potentially boosting our commercial benefits; and enhanced employee loyalty and motivation.

For fiscal 2014, Transat has set the following targets:

- Transat is currently engaged in a cost reduction and margin improvement program, and is seeking, in 2014, to improve its winter results and maintain its summer profitability;
- in 2014, Transat will make changes to the Air Transat fleet: the narrow-bodied aircraft will be internalized, except for supplemental requirements, and we will pursue the implementation of measures to obtain a fleet that can be modulated according to our specific seasonal needs;
- regarding product and customer experience, the projects seeking to improve performance, efficiency and margins will be pursued, particularly by upgrading the Canadian call centres and refining collections at sun destinations;
- Transat intends to refine its distribution strategy in 2014, particularly with the goal of increasing customer proximity through appropriate technologies and sales organizations;
- Transat has undertaken a strategic reflection and intends, in 2014, to review the organization's architecture according to the growth outlooks it has identified.

The key performance drivers are our margin before depreciation and amortization, our market share and our revenue growth, which are essential to successfully implement our strategy and meet the objectives we have set for ourselves.

Our ability to achieve these internally defined objectives is dependent on our financial and non-financial resources, both of which have contributed in the past to the success of our strategies and achievement of our objectives. Our financial resources consist primarily of cash not held in trust or otherwise reserved and the undrawn balances of our credit facilities. Our non-financial resources include our brand, structure, employees and relationships with suppliers. For more information, we refer you to the "Key performance drivers" and "Ability to deliver on our objectives" sections of the Management's Discussion and Analysis of our 2013 Annual Report available for consultation on SEDAR at www.sedar.com.

2.3 REVIEW OF 2013 OBJECTIVES AND ACHIEVEMENTS

The main objectives and achievements for fiscal 2013 were as follows:

2.3.1 Optimize the organization's financial performance and market strategy

In 2013, the Corporation succeeded in significantly improving its financial performance, making a profit after two fiscal years of losses. Apart from an improvement in market conditions, this turnaround is largely attributable to the initiatives taken by the Corporation, which is engaged, in particular, in the implementation of a cost reduction and margin improvement plan. The Corporation thus reviewed its methods, reduced its operating costs, cut staff, implemented a new reservation system for packages, and improved its product. The program generated an improvement of $20.0 million in 2012, and $35.0 million (year to date) in 2013. The Corporation's objective is to clear at least an additional $20.0 million for each of fiscal 2014 and 2015.

The Corporation's air travel strategy is an important component of the program. The Corporation and its Air Transat unionized employees reached agreements that allowed conversion of a portion of the fixed compensation into variable compensation, and agreed on changes to certain methods that resulted in substantial savings without monetary concessions by the personnel. The Corporation decided to internalize narrow-bodied aircraft operations to sun destinations, which had been outsourced since their introduction in 2003. This operation, which is in progress and will be completed by summer 2014, will lead to a consequent reduction in operating costs, forecast in the above-mentioned cost reduction and margin improvement program. In addition, the Corporation made and announced a lease renewal agreement for six wide-bodied aircraft, the terms of which will also lead to an improvement of the cost structure. In the final analysis, these major changes will all have a favourable impact on the results. The first effects were felt in 2013, but the full effect will only be achieved from 2015 onwards.

2.3.2 Enhance product and customer experience

Generally, the Corporation offers its customers a product that presents an excellent quality-price ratio and its offer is customized for tourists. As such, on the transatlantic market, Transat offers an unequalled variety of direct links, at competitive prices, associated with a first-rate ground offering (coach tours, hotels, cars, cruises, etc.). In addition, on this market, Transat over the years has constituted distribution networks that are well established, not only in Canada but in Europe. The cabins of its wide-bodied aircraft have been modernized, enhancing the service offering.

For sun destinations, part of the improvement of the results in 2013 is explained by the strategic tightening of hotel partnerships, refinement of market segments and collections, and improvement of the customer experience. Thus, brand positioning has been better defined, and the products offered are in phase with the clientele's needs. These efforts are continuing, and should lead to additional improvements in winter 2014 and after.

2.3.3 Increase organizational efficiency and implement a vision focused on customers and sustainable development

Many changes were made in the organization in 2013. New managers were appointed to head two major entities in Canada (Transat Distribution Canada and Air Transat). In France, Transat's entities were combined into one on November 1, 2013, a movement accompanied by internal reforms that will all translate into increased efficiency.

The Corporation pursued its sustainable development efforts in 2013, and has summed up its achievements by publishing its third corporate responsibility report (www.resp.transat.com).

2.4 THE TRANSAT PLAN

It is in the fall of 2011 that Transat began reviewing all operations and developing an action plan focused on reducing direct and operating costs, and on increasing margins.

In particular, Transat implemented changes to simplify its organizational structures in Canada, in order to accelerate decision-making and execution. Transat is also pursuing other projects already under way aimed at optimizing the management of airline assets and improving its product strategy. Further comment on the plan can be found under "Review of 2013 Objectives and Achievements" above.

2.5 THREE-YEAR HISTORY

You will find below highlights in the development of Transat and other key events that have occurred in the three most recent financial years. For more information, we refer you to the "Core Business, Vision and Strategy" section above and to the "Business Acquisition" and "Disposal of a Subsidiary" sections of the Management's Discussion and Analysis of our 2013 Annual Report available for consultation on SEDAR at www.sedar.com.

As at October 31, 2013, the Corporation had several types of financing, consisting primarily of revolving term credit facilities, lines of credit for issuing letters of credit, guarantee facilities and agreements with credit card processors. As at that same date, the Corporation no longer had investments in asset-backed commercial paper ("**ABCP**").

On June 13, 2012, since the Corporation no longer needed a $157.0 million credit facility, it requested a $100.0 million reduction. Accordingly, the Corporation now has a $57.0 million revolving term credit facility for its operations, maturing in July 2015, which is renewable or immediately payable in the event of a change in control. Under the terms of the agreement, funds may be drawn down by way of bankers' acceptances or bank loans, denominated in Canadian dollars, U.S. dollars, euros or pounds sterling. The agreement is secured by a first movable hypothec on a universality of assets, present and future, of the Corporation's Canadian subsidiaries subject to certain exceptions and is further secured by the pledging of certain marketable securities by its main European subsidiaries. The credit facility bears interest at the bankers' acceptance rates, the financial institution's prime rate or the London Interbank Offer Rate ["LIBOR"], plus a premium. The terms of the agreement require the Corporation to comply with certain financial criteria and ratios. As at October 31, 2013, all the financial ratios and criteria were met and the credit facility was undrawn.

With regard to our French operations, we also have access to undrawn lines of credit totalling €11.5 million ($16.3 million).

The Corporation has a $60.0 million annually renewable revolving credit facility for issuing letters of credit in respect of which the Corporation must pledge cash totalling 105% of the amount of the letters of credit as collateral security. As at October 31, 2013, $58.5 million had been drawn down.

For the purposes of issuing letters of credit for its English operations, the Corporation also has a banking line of credit secured by deposits of £26.7 million ($44.7 million), which is fully used.

For its French operations, the Corporation also has access to banking lines of credit for issuing letters of credit secured by deposits. As at October 31, 2013, we had issued letters of credit for €1.9 million ($2.7 million).

Also, since the Corporation no longer needed a $25.0 million guarantee facility, it requested a $50.0 million reduction. Therefore, the Corporation now has a $35.0 million facility until February 26, 2014, which is renewable annually. Under this agreement, the Corporation may issue collateral security contracts with a maximum three-year term. As at October 31, 2013, $16.2 million had been drawn down under these credit facilities for issuing letters of credit to some of our providers.

For the purposes of issuing letters of credit for its French operations, the Corporation has also guarantee facilities in the amount of €11.2 million ($15.9 million). As at October 31, 2013, an amount of €3.8 million ($5.4 million) had been drawn down.

On November 21, 2011, Transat signed an agreement, amended from time to time, for the processing of credit card transactions with its primary credit card processor in Canada. This agreement is valid until August 2015. Transaction proceeds are segregated in separate accounts, otherwise reserved in Transat's name, for a certain number of days before being transferred to Transat's trust account(s) where such applicable provincial legislation applies. A substantial portion of Transat's Canadian sales are processed through credit cards and the balance in cash. This credit card processing provider also benefits from a letter of credit for a predetermined amount for a portion of the operations not covered by separate bank accounts.

On February 28, 2011, Transat announced the signing of an agreement, amended from time to time, with a second credit card processor in Canada, which is expiring in February 2015. Credit card transactions processed in Canada pursuant to this agreement are subject to the requirement of maintaining certain levels of cash and other unrestricted cash equivalents at each quarter-end, as well as financial ratios similar to those set out in its bank credit agreements. Transat's failure to comply with these covenants could result in a variety of adverse consequences, including, among other things, an obligation by Transat to provide this new credit card processor with a letter of credit according to a predetermined formula based on the monthly dollar volume of credit card transactions processed by this credit card processor.

On September 1, 2013, one of Transat's subsidiaries signed an agreement with a third credit card processing provider in Canada, which is effective until September 2016, with a possibility of an extension for one additional year with the consent of the two parties. This credit card processing provider benefits from a letter of credit for a predetermined amount.

Through its subsidiary in the United Kingdom, Transat also has an agreement with a credit card processing provider, which can be terminated upon prior notice by either party. This credit card processing provider benefits from a letter of credit for a predetermined amount. In addition, remittance of the proceeds of the transactions is deferred for a certain number of days, according to the volume in pounds sterling of the transactions processed by credit card and depending on the seasonality.

On May 23, 2013, through its airline subsidiary, for sales made throughout Europe on a global distribution platform, Transat also made an agreement with a credit card processing provider in the United Kingdom, which can be terminated upon prior notice by each party. The proceeds of the transactions are deposited directly in various bank accounts in Transat's name, depending on the region of the transaction.

As at October 31, 2010, the Corporation held ABCP for a nominal value of $118.1 million, supported by synthetic and traditional securitized assets (MAV 2 Eligible and MAV 3 Traditional). Over the past three years, the Corporation has received amounts totaling $3.6 million in principal repayments on ABCP supported exclusively by traditional securitized assets (MAV 3 Traditional). More recently, the Corporation received proceeds totalling $84.8 million following the sale of ABCP with a nominal value of $114.5 million. As at October 31, 2013, the Corporation no longer has investments in ABCP.

It should be noted that in 2007, the Canadian third-party ABCP market suffered a liquidity crisis. As a result of this crisis, a group of financial institutions and other parties agreed, under the Montreal Accord, on a moratorium on ABCP sold by 23 conduit issuers. A Pan-Canadian Investors Committee then was established to oversee the orderly restructuring of these instruments during the moratorium.

In 2009, the Pan-Canadian Investors Committee announced that the restructuring plan for third-party ABCP had been implemented. Under the provisions of the restructuring plan, the ABCP holders saw their short term commercial paper exchanged for longer term notes whose maturities matched those of the assets previously held in the underlying conduits. The Corporation initially held an ABCP portfolio issued by several trusts, with an aggregate par value of $154.5 million. Following this restructuring, this market gradually recovered, allowing the Corporation to sell its restructured ABCP gradually. The successive ABCP sales resulted in a loss totalling $32.8 million.

2.6 OUR OPERATIONS IN THE AMERICAS

2.6.1 Outgoing Tour Operators

Transat Tours Canada Inc. ("**Transat Tours Canada**" or "**TTC**"), which is the backbone of our Canadian operations, operates through three brand names, namely Transat Holidays, Nolitours and Transat Discoveries (formerly known as Rêvatours) and integrates Air Transat's commercial activities.

On June 10, 2010, Transat launched an outgoing tour operator in Monterrey, Mexico under the Eleva Travel brand, to offer leisure travel products to Mexican customers. On October 23, 2013, because this entity had not achieved profitability after a few years of operation, it was decided to carry out an orderly termination of Eleva Travel's operations.

On February 1, 2012, the Corporation acquired some of the assets of Québec tour operator Tours Mont-Royal Holidays Inc. ("**TMR**") for a cash consideration of $5.8 million. TMR specializes in the sale of packages to sun destinations for Canadian travellers to Cuba, the Dominican Republic and Mexico, among others. Of the seats sold by this tour operator, approximately 180,000 were bought from Air Transat or CanJet. With this acquisition, the Corporation extends its offering and services to customers in existing markets.

2.6.2 Air Transportation

Transat's fleet strategy is driven by the requirement to continually reduce operating costs in a competitive industry and adapt to seasonal tourism market needs, while offering a superior yet affordable customer experience. Currently, Transat counts on an all Air Transat wide-body aircraft fleet composed of Airbus A310 and A330 aircraft, while Transat's Canadian tour operators are relying entirely on third party carriers, principally CanJet, for their narrow-body aircraft (Boeing 737-800s) needs.

On February 13, 2009, TTC and CanJet Airlines, a division of I.M.P. Group Limited ("**CanJet**") entered into a five-year agreement, effective May 1, 2009 to April 30, 2014, with two subsequent one-year renewal options. This agreement allows TTC to charter CanJet's Boeing 737-800 aircraft from 18 Canadian cities to approximately 31 sun destinations. CanJet's narrow-bodied aircraft complemented Air Transat's wide-bodied fleet, allowing us to broaden our service offering in areas which could not otherwise be efficiently served by the Air Transat fleet at the time, penetrate new markets and more efficiently manage peak periods. By reason of its pricing structure, this agreement with CanJet further increased TTC's ability to be competitive, which was especially important in the challenging market conditions.

In April 2013, Transat announced its decision to internalize narrow-body medium-haul aircraft for its sun destination routes out of Canada, thus moving from a wide-body fleet at Air Transat to a mixed fleet of aircraft including wide and narrow-body jets. The internalization of narrow body jets is expected to add a significant favorable contribution to Transat's cost-reduction initiatives of $75.0 million as well as additional revenues and efficiency gains of $30.0 million.

As of October 31, 2013, the Air Transat operating fleet consists of 21 wide-bodied long-haul aircraft, namely: nine (9) Airbus A310-300s, and twelve (12) Airbus A330, including eight (8) Airbus A330-200 and four (4) Airbus A330-300. Except for six (6) Airbus A310-300s, which are owned by Air Transat, all aircraft are subject to operating leases with aircraft lessors. In accordance with its fleet renewal program, Air Transat withdrew from its fleet during fiscal 2012 three (3) A310-300s, the leases of which had expired, reducing the number of its A310-300s from twelve (12) to nine (9) aircraft.

On July 24, 2013, Air Transat announced the signing of an agreement for the long-term (i.e. eight years) leasing of four Boeing B737-800 aircraft. This announcement is in keeping with Transat's plan to internalize its operations using narrow-body aircraft and to deploy a so-called "modulable fleet" that enables it to adjust the number of narrow- and wide- body jets at its disposal according to seasonal tourism market needs. Generally speaking, Transat has greater need for narrow-body aircraft in winter, when Canadian leisure travellers favour sun destinations, and greater need for wide-body jets in summer, when the transatlantic market is busiest. The four B737-800 aircraft will be introduced in summer 2014 and will then become the core of Air Transat's permanent narrow-body fleet. They will be deployed on sun destination routes to Mexico, the Caribbean and Florida.

As part of the agreement announced on July 24, 2013, Air Transat also negotiated with one of its aircraft lessors the renewal, through 2020 and 2021, of the leases on six (6) Airbus A330 aircraft, including three (3) A330-200s which were originally to be phased out of the fleet in 2013 and 2014 and three (3) A330-300, all with improved terms. These renewals will enable Air Transat to achieve its objective of reducing costs and in the case of the three A330-200s, will prove more favorable than certain summer subcontracting arrangements, which had previously been contemplated.

Finally, on September 13, 2013, on the seasonal narrow-body aircraft front, Transat announced the signing for the seasonal leasing of Boeing B737-800 aircraft that will be supplied by Transavia France, the Air France/KLM Group's French leisure airline. The five-year agreement contemplates four (4) such aircraft for winter 2015 and an additional seasonal aircraft each year up to eight (8) such aircraft for winter 2019. The aircraft, which will be operated by Air Transat, will be deployed to sun destinations in Mexico and the Caribbean.

To ensure, in particular, a smooth transition with CanJet, it was agreed on November 7, 2013, to enter into a new two-year "ACMI" agreement, allowing TTC and Air Transat to charter one Boeing 737-800 aircraft year-round and one additional seasonal Boeing 737-800 for the winter periods. This agreement, which will take effect on May 1, 2014 and end on April 30, 2016, is renewable for two (2) years.

All of the above arrangements are in line with Transat's so-called "modulable fleet strategy" and will enable Air Transat to move forward with a mixed fleet of wide- and narrow- body jets that is adaptable to seasonal needs, gives greater flexibility and a significantly improved cost structure.

On the customer experience front, Transat continued during fiscal 2013 with its program to redesign and refurbish its A330 cabin interiors with a view to provide an enhanced travel experience for its customers. As of October 31, 2013, six (6) Airbus A330 aircraft have been retrofitted with new seats, lavatories and mood-lighting as well as a new in-seat in-flight entertainment system and are flying with a new configuration of 345 seats for A330-200 aircraft and 346 seats for A330-300 aircraft, including twelve (12) seats in Club class. The remaining A330s will be refurbished during fiscal 2014 and until then will remain with their current configuration of 342 seats each. As for the A310 aircraft, six (6) such aircraft now feature a brand new Club class with twelve (12) seats, mood-lighting throughout the entire cabin, and refurbished seat covers and lavatories in Economy class. The rest of the remaining A310 aircraft will be completed in the same manner during fiscal 2014. We are also continuing our efforts to optimize capacity through more efficient flight scheduling, increased incidental revenues and leasing our wide-body jets to third parties in the winter and low seasons.

2.6.3 Incoming Tour Operators

In 2007, Transat consolidated its ownership incoming activities in Mexico, Dominican Republic and Barbados through an agreement with Gesmex Corporation pursuant to which Transat owns 70% of the shares of Trafictours Canada, ensuring a better quality of service and improved operational and financial controls. Transat has also held 100% of the incoming tour operator Tourgreece since February 26, 2010.

2.7 OUR OPERATIONS IN EUROPE

Transat France S.A. holds L'Européenne de Tourisme S.A.R.L. (doing business as Amplitravel), Vacances Transat (France), Look Voyages and Tourgreece Tourist Enterprises S.A. Transat Europe S.A.S. holds Air Consultants Europe B.V. and the Airline Seat Company Ltd. (doing business as Canadian Affair).

In 2009, the Finance, Legal, Information Systems and Human Resources departments of our two tour operators Vacances Transat (France) and Look Voyages were consolidated under a single management entity, Transat France. In doing so, we realized efficiency gains, and it is easier to have our business units share a common vision. In October 2010, we relocated the Vacances Transat (France) employees of Ivry, so that all Transat France employees are now in a single location.

On August 23, 2013, in order to continue the consolidation of activities and teams, Transat France entered into four draft merger agreements with Look Voyages, Vacances Transat, Euro Charter and l'Européenne de Tourisme, which were submitted for approval at the general meetings of the shareholders of Transat France and Look Voyages.

These transactions will result in the automatic transfer of the operations and personnel of Vacances Transat, Look Voyages, Euro Charter and l'Européenne du Tourisme to Transat France, effective November 1, 2013. These mergers will simplify and rationalize the group's structure, leading to better economic efficiency.

In 2009, we reached an agreement with XL Airways, which chartered one of Air Transat's aircraft during winter 2010 and 2011 to serve our tour operators based in France. This agreement was renewed for the 2012, 2013 and 2014 winter seasons. On July 19, 2010, Transat announced the signature of a three-year agreement with air carrier Transavia France for its medium-haul flights departing from France to Mediterranean Basin destinations. Under the terms of their agreement, Transavia France became the partner of choice of Vacances Transat and Look Voyages for their medium-haul chartered flights and seat needs. This agreement was renewed on September 6, 2013 for a 5-year term.

Following the financial losses sustained by Euro Charter in the past several years and in the difficult economic context prevailing in the tourism industry, in fiscal 2009, Euro Charter began an in-depth reorganization of its activities to turn around its financial position and allow it to preserve its competitiveness. Thus, the following measures were taken in fiscal 2009 and continued in 2010: (i) establishment of a group of 38 agencies of the Euro Charter network under the "Look Voyages" banner; (ii) sale of 21 agencies of the Euro Charter network, whose positioning does not or no longer fits in with Euro Charter's development strategy; and (iii) closing of five agencies. In 2012, three new agencies were opened (one in Lyon and the other two in the West region) while the Opera agency in Paris was closed due to its poor financial results. In 2013, Euro Charter decided to open a new agency in Paris, near the Bastille. This agency primarily was conceived as a showcase for the group's products, a place for friendly exchanges, connected with flat screens and laptop computers.

On November 20, 2009, Transat announced the expansion of its retail distribution reach in France through a new commercial agreement between its Transat France division and AFAT Sélectour Voyages, the country's biggest travel agency network. This network, created in 2010 from the merger of the AFAT and Sélectour networks, together represent 1,170 agencies and total billings of approximately 3.0 billion Euros. In May 2010, the 40 Look Voyages agencies became affiliated with the AFAT Sélectour organization. In 2013, Transat renewed its agreement with AFAT Sélectour Voyages. Transat also made a new agreement with Thomas Cook, the second largest travel agency network in France. Under this agreement, the referral of Look Voyages by Thomas Cook was renewed and Thomas Cook agreed to the referral of Vacances Transat, which had not benefited from referrals since the end of fiscal 2008.

In June 2012, Look Voyages expanded the distribution of tourism products on its website lookvoyages.fr, which then distributed only products of Transat France tour operators. Distribution was extended to the products of several selected additional tour operators, in return for a distributor's commission on these sales. In 2013, sales of these third-party products exceeded €10.0 million.

On December 19, 2012, the Corporation restated its financial statements for fiscal 2011 after the identification of a recurring accounting error dating back to 2006 in its United Kingdom subsidiary, The Airline Seat Company Limited, which was acquired that year. Amounts received from customers for services not yet rendered had not been recorded properly, that is, in accordance with the Corporation's accounting policy, in current liabilities under "Customer deposits and deferred revenues" for the fiscal years 2006 to 2011. For more details, see the fourth-quarter financial statements for the fiscal year ended October 31, 2012.

3. DESCRIPTION OF OUR BUSINESS

The data contained in this section are estimates of our competitive positioning and market share and are based on our knowledge of the relevant industry segments. Being a vertically integrated business, we have determined that Transat conducts its activities in a single industry segment, namely the holiday travel segment, and operates in two geographic areas, specifically the Americas and Europe. We recorded $3,648.2 million in revenues for fiscal 2013, compared to $3,714.2 million for fiscal 2012. North American operations accounted for $2,893.4 of our revenues for fiscal 2013 and $2,850.9 million for fiscal 2012. European operations amounted to $754.8 million in revenues for fiscal 2013 and $863.3 million for fiscal 2012.

In May 2011, Transat introduced a new identity platform and adopted news colours, based on the concept of welcome and hospitality, as being the very essence of the business of integrated tour operator. As part of the implementation of Transat's new brand platform, logos of Transat Holidays, Nolitours, Air Transat, Canadian Affair, Affair Travel and Tourgreece were also rejuvenated.

3.1 TOUR OPERATORS

Transat acts as an outgoing tour operator through its subsidiary Transat Tours Canada and its divisions Transat Holidays, Nolitours and Transat Discoveries (formerly known as Rêvatours), through its subsidiary TMR as well as through its European subsidiaries Transat France SAS, Air Consultants Europe B.V. and The Airline Seat Company Limited.

Transat Holidays USA, Inc. ("**Transat Holidays USA**"), Jonview Canada Inc., Tourgreece, Trafictours de Mexico S.A. de C.V., Turissimo Caribe Excursiones Dominican Republic, C. por A. and Caribbean Transportation Inc. operate as incoming tour operators in Florida, Canada, Greece, Mexico, Barbados and the Dominican Republic.

Each of these tour operators operates in its own market by developing and marketing its individual product lines, while benefiting from the considerable purchasing power and other advantages generated by our vertical integration strategy. You will find below descriptions of the main product and service offering.

3.1.1 Products of Transat Tours Canada and TMR

Transat Tours Canada commercializes and sells its travel products to sunshine destinations located in North America and Central America and to European destinations through the brand names of Transat Holidays and Nolitours, both of which have a national presence in Canada. Two principal types of products have been developed to complement Transat Tours Canada's revenues; notably, travel packages and seats to sunshine destinations mainly during the winter season; and seats with complementary product and service offering for travel to Europe, mainly during the summer season.

Most of our sunshine destinations are available with departures from 23 Canadian gateways, namely: Bagotville, Calgary, Edmonton, Fredericton, Halifax, Hamilton, Kelowna, London, Moncton, Montréal, North Bay, Ottawa, Québec City, Regina, Rouyn-Noranda, Saskatoon, St. John's, Sault Ste. Marie, Thunder Bay, Toronto, Vancouver, Victoria and Winnipeg.

Transat Tours Canada's main brands represent distinct product ranges and tailored distribution strategies. Nolitours offers all-inclusive packages to sun destinations. Transat Holidays also offers all-inclusive sunshine destinations, with a focus on more exclusive and superior hotels compared to Nolitours. These products are available through travel agency networks across Canada and on-line.

Although both brands keep commercializing the three key destinations of Mexico, Cuba and the Dominican Republic, Transat Holidays also offers holiday packages to Jamaica, Saint Martin, Grenada, Barbados, St. Lucia, Antigua, and to Fort Lauderdale, Orlando and St-Petersburg in Florida. Nolitours offers holiday packages to Jamaica, Panama, Venezuela, Colombia, El Salvador, Costa Rica, Nicaragua and Honduras.

TMR commercializes and sells travel products and is active on the south markets as well, offering holiday packages mostly in Cuba but also in Mexico, Dominican Republic, Panama, Honduras, Guadeloupe and Martinique.

For travel to Europe, Transat Holidays also offers short stays (in hotels, studios, apartments, and bed and breakfast inns), car rentals (based either on the straight car rental formula or with a buy-back option) or train tickets. For destinations in France, Transat Holidays sells flights mainly to Paris, Lyon, Marseille, Bordeaux, Nantes, Nice and Toulouse. As for destinations in the United Kingdom and Ireland, it sells flights mainly to London (Gatwick), Birmingham, Manchester, Glasgow, Dublin and Shannon. Transat Holidays also sells flights to Brussels, Barcelona, Malaga, Madrid, Lisbon, Porto, Faro, Mulhouse/Basel (Switzerland), Munich, Frankfurt, Lamezia, Amsterdam, Rome, Venice, Athens and Istanbul. Flights to London, Faro, Lisbon, Glasgow, Manchester, Paris and Porto are offered year-round, but fewer flights are available from November to March.

In addition to sunshine and European destinations, Transat Holidays offers the finest cruise itineraries from the world's leading cruise lines to the Caribbean, Alaska and to Europe, as well as coach tours mainly in Europe.

We served approximately 1,630,000 travellers through Transat Holidays and Nolitours in fiscal 2013, compared to 1,830,000 in fiscal 2012. TMR has served approximately 164,000 travellers in fiscal 2013, compared to 104,000 travellers from February 1, 2012 to end of fiscal year 2012.

Transat Discoveries' products are offered through Transat Tours Canada. Transat Discoveries' branded products are premium-quality guided tours in more than forty countries in Asia (Vietnam, India, Sri Lanka, Thailand, Cambodia, Japan, Malaysia and Indonesia), Eastern Europe, Africa (Tunisia, Egypt, Morocco, Namibia, Botswana, Kenya, Tanzania, South Africa), Middle East (Israel, Jordan) Europe (Greece, Turkey, Croatia, Montenegro, Spain, Portugal, Austria, Hungary, Finland, Norway, Sweden, Poland, Germany, Czech Republic, Italy and Russia) and South America (Mexico, Guatemala, Peru, Equator, Argentina, Brazil and Chile), with specialized offerings for smaller market segments. Through Transat Discoveries, we served approximately 9,800 travellers in fiscal 2013, compared to 6,600 in fiscal 2012. In October 2011, Rêvatours, known in Quebec for 25 years, became Transat Discoveries and expanded its presence in Ontario by making available the same destinations and tours to the Ontario market through travel agents under the new Transat Discoveries brand. Transat Discoveries has expanded its global offer by including in its brochure the North America offer (Western Canada, Alaska, Iles de la Madeleine, California, Arizona and Nevada, Boston and New York) that was previously promoted by Merika Tours. Transat Discoveries has the commercial exclusivity of French coach tours with Trafalgar in Quebec.

3.1.2 Products of Vacances Transat (France)

The primary market of Vacances Transat (France) ("**VTF**") is the production and distribution, through French travel agencies, of holiday packages to Canada, the United States, Asia and the Caribbean. Although the Americas generally remain long-haul destinations for VTF, they have less and less impact on the sales of this subsidiary as VTF launched new Caribbean destinations, such as the Dominican Republic, Cuba and Mexico, as well as packages and guided tours in many countries in Latin America, namely in Costa Rica, Panama, Nicaragua, Guatemala, Ecuador, Brazil, Argentina, Chile, Peru and Bolivia. VTF also has product offerings to Asia and the Indian Ocean and Africa. With this array of destinations, VTF has become a long-haul specialist in the French market with a focus on selling packages.

VTF also launched a medium-haul offer, in the Scandinavian countries, notably Finland, during the winter season. During the summer season, the major destinations are the British Isles (Scotland and Ireland) as well as Iceland. Products sold cover group and individual tours and FIT (Foreign Independent Tour). VTF also offers new medium-haul destinations in Greece and Turkey since the summer of 2012.

In all, VTF carried over 177,000 passengers in 2013, compared to 197,000 passengers in 2012. VTF ranks among the top 10 travel wholesalers on the French market.

3.1.3 Products of Look Voyages

Our subsidiary Look Voyages benefits from a well-known brand on the French market due to its exclusive value-added products in the form of holiday packages in "Club" hotels. "Lookéa" is the trademark used for these all-inclusive hotels situated in choice locations that target a youthful family-oriented clientele. We manage Lookéa Clubs according to a hybrid formula calling upon partners to manage the resorts while we handle activities and site supervision.

The number of Lookéa Clubs now amounts to 31 located in the following 13 countries: Morocco, Mexico, Dominican Republic, Senegal, Tunisia, Bulgaria, Croatia, Greece, Turkey, Spain, Cape Verde, Jamaica and Egypt.

Look Voyages served approximately 235,000 travellers in fiscal 2013, compared to 249,000 in fiscal 2012.

Look Voyages' products are sold year-round. Its summer season, which in France runs from April to October, is by far its busiest. Its most popular destinations are located in the Mediterranean region. Our medium-term strategy for Look Voyages is to develop value-added products aimed at focusing on its holiday package activities. Thus, Look Voyages now focuses on destinations where it holds substantial volumes, concentrating on packages.

3.1.4 Products of The Airline Seat Company Limited

The Airline Seat Company Limited, which sells its products under the Canadian Affair, Air Transat and Air Transat Holidays brands, has been wholly owned by Transat since August 1, 2006. As the UK's largest tour operator to Canada they offer flights and tailor made holidays all year round. Their flight schedule offers flights in summer (May – October) to seven destinations in Canada from four UK departure airports, in addition offering flights from two Irish Airports to two Canadian destinations; and in winter (November - April) flights to three destinations in Canada from three UK airports.

Canadian Affair offers flights on Air Transat, providing booking facilities on a multi-channel distribution basis, directly via their website and via their call centres in London and Glasgow, as well as selling to the travel trade through their dedicated website, via their call centres and through the GDS system. UK sales in 2013 were split as follows: 80% direct sell and 20% through the travel trade or Transat's subsidiaries.

Canadian Affair's product offering is wide ranging from air-only trips to full holiday itineraries, tailor made for every customer, from city breaks, car rentals, rail tours, cruise holidays, ski holidays, fly-drive tours and much more. Working closely with the suppliers and the incoming tour operator Jonview Canada, their product offering evolves with changing customer trends and new products available on the market.

The Airline Seat Company served approximately 200,000 travellers in fiscal 2013, compared to 240,000 in fiscal 2012.

In November 2010, The Airline Seat Company acquired French Affair Ltd., trading as Affair Travel, a villa specialist holiday company that had been in business for 26 years, specialising in high quality, value for money villas in locations throughout Europe. Affair Travel is implementing new destinations with villas over the coming year, to expand its fields of activity to new customers and increase its existing clientele.

3.1.5 Products of Jonview Canada Inc.

Jonview Canada Inc. ("**Jonview Canada**"), which repackages products sold under the brand names Jonview Canada and Canadian Adventures, is the leading incoming tour operator in Canada, with offices in Montréal and Toronto. Through its representatives, Jonview also has sales offices in France and the United Kingdom and sells a full range of products and services to tour operators in Europe, particularly in France, the United Kingdom, Germany, Italy, Spain, Switzerland, the Netherlands and Belgium and also caters to clientele in Latin America, Asia Pacific and India.

Jonview Canada offers a full range of Canadian holiday products, including guided bus tours, group travel arrangements, fly and drive holidays, city and activity packages, ski vacations, hotel accommodations, local transfers and soft adventure tourism. It also offers products, such as snow mobile tours and multi activity winter programs, as well as its Explorer Collection and its "The Ultimate To Do List Jonview Canada" program, which offer a range of unique and luxury hotels, lodges resorts and experiences across Canada, and is designed to increase the aspirations of international travelers to visit Canada. All of these products are currently being offered for the 2013-2014 season.

Jonview Canada brought 250,000 travellers to Canada in fiscal 2013, compared to 257,000 in fiscal 2012.

3.1.6 Products of Tourgreece

Tourgreece is an incoming tour operator located in Athens, Greece with 30 years of history. It offers a range of holiday packages, such as stays at hotels of all categories in Athens and in the islands, excursions and cruises in Greece and the Greek Islands, as well as transportation from the airport to the hotel. Tourgreece services Transat's tour operators as well as other tour operators, mainly from the United States, Europe, Latin America, Far East and Australia.

Tourgreece, which recently totally revisited its visual identity as part of the implementation of Transat's new brand platform described above, served approximately 80,000 travellers in fiscal 2013, compared to 72,000 travellers in fiscal 2012.

3.2 TRAVEL AGENCIES AND DISTRIBUTION

3.2.1 Travel Agencies

Our travel agencies sell a variety of products, including those offered by our own tour operators. Travel agents reserve products either through a computerized booking system, the Internet or by telephone.

In the Canadian market, we distribute our products in part through our own network of wholly-owned, franchised or affiliated retailers. The acquisition of the Canadian travel agencies of Thomas Cook Travel Limited, which was completed in fiscal 2006, makes us the largest retail distributor of holiday travel products in Canada, with 768 outlets, out of which 74 are wholly owned, 278 are franchised and 200 are affiliated and do business under the Club Voyages, Marlin Travel, Voyages en Liberté, TravelPlus and MTP Lite banners or affiliation programs, in addition to 25 Tripcentral.ca agencies. In June 2013, we launched a new travel agency concept under the Transat Travel banner. To date, we have converted two (2) of our wholly-owned agencies to test the concept. We hope to convert several more of our agencies to this banner during 2014, across Canada.

Transat's human resources, finance and administration, legal and information systems departments and Transat Distribution Canada's marketing services support the entire retail network. Much like Transat Tours Canada for the Corporation's tour operator activities, this business unit created in fiscal 2003 includes all our distribution activities performed through travel agencies and over the Internet.

We operate our travel agencies network in Canada as one business unit by taking advantage of a common administrative system for all of our own corporate agencies across the country, and by putting together our purchasing power. We have implemented a new branding initiative whereby both Club Voyages and Marlin Travel share a common logo and identity while keeping their distinct names. This initiative is part of our new branding strategy. The know-how acquired by exitnow.ca and tripcentral.ca in distribution via Internet is being passed along to the "brick and mortar" agencies in order to have all the distribution acting in a coordinated fashion.

Through our subsidiary Euro Charter, we also own and operate 42 travel agencies throughout France. For marketing purposes, all the travel agencies have already been re-branded under the Look Voyages colours, in order to benefit from the reputation of Look Voyages in the French market and build on the latter's marketing initiative. For more details on the reorganization of Euro Charter activities, please refer to Section 2.7 of this AIF.

With regards to B2C e-commerce, Exit.ca was one of the first websites to specialize in holiday packages and charter flights in Canada. The Exit.ca website name was eventually changed to Exitnow.ca and currently focused on last minute deals. Following the launch of the Exit.ca website, additional websites were created, such as Airtransat.ca, Voyagestransat.com,Transatholidays.com, Nolitours.com, Travelplus.ca, Clubvoyages.ca, Marlintravel.com, MarlinExpress.ca and whitelabel sites.

In 2009, the B2C e-commerce activities were split between different organizations. In the fall of 2009, Exitnow.ca was sold to Travel Superstore Inc. (Tripcentral) and Marlintravel.ca, Clubvoyages.com and Travelplus.ca remained under Transat Distribution Canada. Tripcentral and Transat Distribution Canada focused on retail activities (offering different supplier products). The Transatholidays.com (Transat Holidays) and Nolitours.com websites, which are focused on the distribution of their own products, were integrated into Transat Tours Canada. This group also provides call centre services to Exitnow.ca and support to Canadian Affair's business in Canada.

3.2.2 Insurance for Tour Operators and Travel Agencies

We hold insurance policies and maintain them in force for amounts conforming to industry standards. Our liability insurance for our tour operator and travel agency activities covers the liability for bodily harm or property damage suffered by tour operators or third parties. The limit for any single event is CAN$5.0 million. In addition to the primary policy, we hold an excess liability policy with a limit of CAN$45.0 million for any single event.

3.3 AIR TRANSPORTATION

In fiscal 2013, our airline Air Transat offered flights out of its principal bases in Montréal, Toronto and Vancouver, as well as some flights out of Québec City, Calgary, Edmonton, Halifax, Ottawa, Regina, Saskatoon and Winnipeg. Air Transat holds licenses to operate scheduled flights between Canada and the following countries: the European Union (representing its 28 member states), Switzerland, Turkey, the United States, Cuba, Jamaica, the Bahamas, Mexico, Panama, Costa Rica, Barbados, Nicaragua, Colombia, Antigua and Barbuda, St. Lucia, El Salvador, the Netherlands Antilles and the Dominican Republic.

During the 2013 winter season, we served about 40 destinations in 19 countries, flying primarily to Southern or other sunshine destinations. In the summer, we shifted most of our capacity to Europe, while maintaining some flights to Southern destinations. In fiscal 2013, Air Transat offered direct flights between Canada and some 40 European destinations.

We served approximately 3,332,000 passengers on Air Transat in fiscal 2013 compared to 3,855,000 passengers in fiscal 2012.

Our tour operators market air services for passenger transportation on a seasonal basis. In the winter season, most of the seats sold are to Southern destinations; in the summer season, seats are primarily sold to Europe. Air Transat's destinations are selected by our tour operators.

Even though the marketing of the flights is primarily in the hands of our tour operators, Air Transat's scheduled licensing authorities for certain countries allow us: (i) to market seats directly to travel agencies through Global Distribution Systems (GDS); (ii) to market and sell seats on the Internet using the Air Transat brand; (iii) to enter into agreements with other air carriers to offer connecting and code-share flights; and (iv) to transport freight. Those seats are then available on its website. Air Transat's website offers content to travellers in terms of vacation spots, package browsing and flight options and enabling online reservations.

3.3.1 Maintenance, Inspections and Other Measures

Air Transat continues to be committed to continuous improvement of processes involving all aspects of the airline operations, the result of which is to improve the quality of service while optimizing resources with safety as the top priority. We are seeing tangible results in all of these areas of operation, which have translated into highly satisfactory on-time performance.

Over the last years, we have implemented an array of measures based on principles of safety and prevention to which we subscribe without reserve. These measures include, amongst others, a Safety Management System, which is a comprehensive program involving training, reporting of safety-related information from any areas of the company as well as extensive auditing and data analysis.

Furthermore, at the end of fiscal 2013, Air Transat became the first airline in the world to renew its IOSA certification (IATA Operational Safety Audit) under the new Enhanced IOSA methodology. Air Transat first obtained its initial certification under IATA's IOSA program on February 20, 2008. IOSA is obtained following a rigorous audit process conducted by independent specialists. It provides a standardized audit program for all IATA member airlines' operational management and control systems, based on internationally recognized standards and supported by a rigorous quality insurance process that aims at improving operations and safety in the airline industry. The program comprises more than 900 stringent standards that contribute to airline operational safety in the areas of management, safety and security of flight operations, operational control, aircraft engineering and maintenance, cabin operations, ground handling and cargo operations. In 2011, IATA added new elements to the program and introduced Enhanced IOSA, which involves ongoing internal assessment processes, to provide enhanced value and continuity of the audit process. At the request of IATA, Air Transat participated in the development of the new program, which will be mandatory for IATA member companies starting in 2015. The IOSA certification obtained under the Enhanced IOSA methodology is the greatest recognition to date of the quality of our internal processes and is reflective of our commitment to ensure the safety of our operations.

We perform regular maintenance work on all aircraft of our fleet. Our aircraft maintenance procedures and standards exceed Transport Canada's requirements. We carry an inventory of spare parts for our Airbus A330 and A310 (aircraft). With our announced plan to internalize narrow-body aircraft into our fleet, we are working with Transport Canada to add this new Boeing 737 aircraft type to our air operator certificate.

Check 1 to Check 8 ("C1 to C8") inspections are completed at regular mandatory intervals pursuant to strict regulatory requirements. Air Transat is continually reviewing its processes to reduce the ground time required to perform these inspections and system checks as well as lower its costs by negotiating agreements with maintenance and inspection specialists who offer the best quality at competitive rates.

We have a long-standing in-flight medical assistance contract, providing services 24 hours a day 365 days a year with MedAire, Inc., a medical advisory firm specialized with in-flight and on the ground health emergencies. We have also followed, and continue to follow, all the guidelines announced by Transport Canada and Health Canada.

Through our Audit Committee and our Corporate Governance and Nominating Committee, our Board of Directors identifies and evaluates at least on a yearly basis the principal risk factors related to our business and approves strategies and systems proposed to manage such risks, including those specifically related to the aviation industry. Our Corporate Governance and Nominating Committee in particular oversee the policies and procedures with respect to flight safety. As part of its responsibilities, it yearly reviews the emergency plan implemented by Air Transat. This plan aims to inform and train all of our airline personnel and management on procedures to be followed with respect to an accident or an incident involving an aircraft and the ensuing investigation.

3.3.2 Aviation Insurance

We maintain insurance in amounts in accordance with industry standards and in compliance with applicable statutory requirements and the covenants of our aircraft lease agreements. Our liability insurance for airline operations covers liability related to damages resulting from injury or death of passengers, as well as to damage suffered by third parties. The limit for any single event is US$1.25 billion with the exception of War Risk Bodily Injury/Property Damage to Third Parties excluding passengers where the limit is US$150.0 million for any single event and in the aggregate.

In this latter regard, even though a commercial insurance market continues to be available to cover War Risk Bodily Injury/Property Damage to Third Parties excluding passengers, it is deemed by the Canadian government not to be commercially available on reasonable terms. Therefore, the Canadian government continues to indemnify Canadian airlines for third-party civil liability for the risks of war and terrorist acts in excess of the US$150 million provided by the liability insurance for airline operations and to the equivalent total liability limit provided by the airline liability insurance (US $1.25 billion). The current indemnity expires December 31, 2013, but there is no reason to believe that the Government will not renew its indemnity.

3.3.3 Fuel Supply

Fuel costs represent a major component of our airline's operating expenses. The increase and constant fluctuations in the cost of fuel are a major concern for Transat given a small margin in our industry. Our policy calls for hedging a portion of our fuel requirement needs. As at October 31, 2013, fuel-purchasing derivatives products contracts covered 41% of the estimated fuel requirements for fiscal 2014, compared to 34% for fiscal 2013 and 25% for fiscal 2012.

We negotiate with national and international oil companies to insure that our aircraft are supplied with fuel at all airports where we operate. Fuel prices are established on the basis of margins applied to fluctuating world prices. The tariff filed by Air Transat with the Canadian Transportation Agency states that charter agreements signed with tour operators may be amended in the event of significant variations in the price paid for fuel. We also implement fuel surcharges when necessary and in accordance with the legislation to which we are subject in order to partially offset any surge in fuel prices.

3.3.4 Ground Handling and Airport

In June 2012, the Corporation decided to focus on its tour operator core business and therefore divested its Handlex subsidiary, which provides airport ground-handling services at Montréal, Toronto and Vancouver international airports, and sold it to Servisair Holding Canada Inc. Air Transat continues to receive the same services at its three Canadian operating bases under a ground-handling agreement entered into in connection with the transaction.

3.4 OUR EMPLOYEES

As at October 31, 2013, Transat and its subsidiaries had a total of 5,091 employees and the average number of employees over the fiscal year 2013 was approximately 5,600.

The Corporation and Air Transat's unionized employees reached agreements that allowed the conversion of a portion of the fixed compensation into variable compensation, and agreed on changes to certain methods that resulted in substantial savings without monetary concessions by the personnel.

We favour employee ownership of our share capital. For a detailed description of our share-based compensation plans and other long-term incentive plans, we refer you to our Management Proxy Circular in respect of the annual and special meeting of shareholders to be held on March 13, 2014 (or to a more recently filed management proxy circular, as the case may be), which will be available for consultation on SEDAR at www.sedar.com. Our policy is to promote good relations with our employees, in light of which we have adopted a policy to hinder harassment in the workplace and another regarding the protection of personal information and the right to privacy.

Some of our employees belong to employee associations with which we have negotiated a series of working conditions. The following chart sets out employees' affiliations and the status of their respective collective bargaining agreements as at the date of this AIF.

During fiscal 2012-2013, Transat announced that Air Transat and four employee organizations had agreed on the renewal of their collective agreements. These collective agreements cover the maintenance employees, the employees of the call centre and the crew scheduling office, and the airline dispatchers.

Employees	Transat's Subsidiary	Affiliation	Status of Collective Bargaining Agreement
Flight crew members (pilots)	Air Transat	Airline Pilots Association (ALPA)	Collective agreement in effect from May 1, 2010 to April 30, 2015
Flight attendants	Air Transat	Canadian Union of Public Employees (CUPE)	Collective agreement in effect from November 1, 2010 to October 31, 2015
Dispatch	Air Transat	Canadian Airline Dispatcher's Association (CALDA)	Collective agreement ratified and in effect from November 1, 2011 to October 31, 2015
Crew scheduling and passenger service	Air Transat	International Association of Machinists and Aerospace Workers (IAMAW)	Collective agreement ratified and in effect from August 1, 2012 to July 31, 2015
Maintenance, stores and technical support	Air Transat	International Association of Machinists and Aerospace Workers (IAMAW), Lodge 140	Collective agreement in effect from May 1, 2011 to April 30, 2016
Call centre	Air Transat	Teamsters, Local 1999	Collective agreement ratified and in effect from October 31, 2012 to October 31, 2015

3.5 COMPETITION

Owing to our vertical integration strategy, we face many competitors doing business worldwide as either tour operators, travel agencies (traditional and online) or air carriers.

Competition is fierce in all markets (south, transatlantic, medium and long-haul) and it is coming not only from traditional tour operators and air carriers specializing in leisure/holiday travel, but also from network airlines that have transformed their cost-base and created new leisure/low-cost airline subsidiaries such as Air Canada Rouge, Lufthansa Germanwings, etc., from online travel agencies (OTAs) and from hoteliers who are selling directly to consumers.

3.5.1 Tour Operators

The market for tour operators is well established in Europe, Asia, the United States and Canada. Tour operators specialized in outgoing services, purchase the various components of a trip and sell them to customers through various distribution channels, either as a travel package or separately. The large outgoing tour operators purchase blocks of seats or complete flights mainly from air carriers specializing in charter services and undertake to pay for all the seats so purchased whether they sell them or not, thereby obtaining a better price. Such tour operators also negotiate with hoteliers for blocks of rooms and make arrangements in order to offer travel packages at lower prices than if customers were to make their own reservations. With regard to marketing, the strong growth of online sales must be noted among all players, regardless of whether they are service providers (carriers and hotel operators) or tour operators. The presence of online agencies amplifies this consumer trend of online purchasing.

Certain tour operators specialize as incoming tour operators, making arrangements for foreign tourists at their destinations. They negotiate rates with local suppliers of tourist services (hotels, tour buses, local attractions, etc.), assemble packages and sell them to outgoing tour operators in the countries of origin. Incoming tour operators essentially export a country's attractions to foreigners, while also providing services with respect to the organization of holiday travel, conventions and group travel.

Certain tour operators round out the range of services offered to travel agencies with the FIT formula (Foreign Independent Tour), namely the sale of seats along with lodging and car rentals. Online travel agencies, such as Expedia, Inc. and Travelocity.com LP, are particularly active in the FIT business segment, thus becoming both an additional distribution channel and a competitor for tour operators. The FIT market is growing at a rapid pace and the tour operators will put greater emphasis on that segment.

3.5.1.1 On the Canadian Market

The Canadian market for sunshine destinations is mainly a "package" driven market, whereas Europe, as a destination, is a market of aircraft seats, car rentals and hotel rooms booked on a nightly basis. Canadian outgoing tour operators finalize agreements with suppliers six to eight months prior to the beginning of each season. The summer season runs essentially from May 1 to October 31 and packages are prepared in the preceding fall. The winter season runs mainly from November 1 to April 30 and packages are prepared in the preceding spring. As part of these preparations, tour operators undertake negotiations with air carriers, hotel and cruise ship operators, and car rental agencies. When such negotiations are completed, brochures and websites illustrating the various destinations and describing the various packages and services offered are prepared and distributed to travel agencies before the beginning of each season and sales presentations are made to travel agents in the main cities of the markets covered.

Through its Transat Holidays and Nolitours brands, Transat Tours Canada is a major Canadian tour operator, with which the tour operator TMR has joined forces. We compete with other tour operators, such as Thomas Cook Canada Inc. (Sunquest Vacations, Holiday House Intair), Sunwing Vacations which has entered into a partnership with the anglo-german group TUI Ltd. (Sunwing, Signature Vacations), Air Canada Vacations and WestJet Vacations.

We have succeeded in establishing a significant market share in the European travel segment, mainly to France, the United Kingdom, Italy and Spain during the summer season, as well as for the sunshine destinations segment during the winter season. We are in competition with the regular airlines, including Air France, British Airways, Air Canada/Rouge, Lufthansa, KLM, Iberia, Alitalia and Corsair.

Geographical diversification involves departure points and destinations, the purpose being to offer products that best meet customers' expectations in each new market, preferably exclusively. We continue to devote major efforts to the expansion of our range of products, accounting for market trends, with the objective of offering a product line that differentiates us from the competition.

3.5.1.2 On the European Market

The French market consists of approximately 200 tour operators, the largest of which are the Thomas Cook Group (Thomas Cook and Jet Tours), the TUI Group (Nouvelles Frontières/Corsair, Marmara), FRAM, Club Med as well as Transat France (Look Voyages, Vacances Transat (France) and Amplitravel).

There is a rising demand for long-haul flights during the winter (primarily to sunshine destinations). Aside from the French West Indies (Guadeloupe and Martinique), the demand for countries such as Cuba, the Dominican Republic and Mexico is growing, supported by the affluence of French tourists. This situation enables several players in the industry to increase that proportion of their revenues derived from winter operations.

Over the last few years, France has experienced an accelerated consolidation of the tourism industry with the arrival of foreign companies and the pooling of interests among French players. In particular, TUI Travel PLC and Thomas Cook Group, as a result of several acquisitions, have created a very competitive market on each destination, with many generalist tour operators and a plethora of specialized players.

As a result of the general economic slowdown and of the social/political problems in Tunisia, Egypt and Lybia, TUI announced the proposed merger of the operations of Marmara and Nouvelles Frontières in 2012. Staff reduction measures are being taken by many tour operators, including Thomas Cook and FRAM, reorganizations are being put in place and capacity reductions are being considered, all with a view to diminish the financial losses incurred over the last few years.

As for Transat, we are firmly established in France, where our tour operator activities rely on Vacances Transat (France), Look Voyages and Amplitravel. In 2012, Transat France continued to rank fourth amongst tour operators in France, after Club Med, TUI and Thomas Cook.

We remain the leading tour operator for packages to Canada through Vacances Transat (France). Over the years, we have been able to build on this base by expanding our product offerings for the entire long-haul market. Taking advantage of synergies with Transat Holidays in Canada, Vacances Transat (France) is one of the leaders in France for travel to the Dominican Republic, Cuba and Mexico.

As in Canada, the characteristics of the holiday travel market vary depending on the season: during the winter, the French prefer domestic and long-haul flights, while in the summer they readily opt for the Mediterranean Basin and North Africa. We have succeeded in building a solid brand image for Look Voyages.

Although quality is an important factor, we believe that competition between tour operators on the Canadian and French markets is mainly based on price, with customers looking for the most affordable way to travel to their destinations. Reduced profit margins in recent years have caused tour operators to be more cautious on capacity put in the market. It is our view that another important factor relative to competition is exclusive access to certain hotels in sunshine destinations, which may enable the major tour operators to improve their position on the market. Thus, we increased exclusivity arrangements with hoteliers over the last few years and intends to continue to do so.

The UK travel market has been dominated for many years by competition based on price and the market is quite mature in its use of online direct booking focus. Customers will decide their holiday destination with a clear focus of the price of their flight; using flight comparison websites as part of daily life, regardless of the short-haul or medium-haul destination that interests them, since access to airline services from the United Kingdom is not a restrictive factor. This is not the case for long-haul destinations, which are served by a smaller number of carriers. Canadian Affair is well established in the UK, and as the UK's largest tour operator to Canada, sells flights and holidays to Canada on a direct consumer basis via their two call centres and their website www.canadianaffair.com. In November 2010 and November 2011, Canadian Affair won the Best Tour Operator to Canada award at the prestigious British Travel Awards, beating stiff competition from established worldwide tour operators. Online sales are continually growing in the UK, as is the technology used to book, with the growth of laptop's, tablets and phones with fast and easy Internet connectivity the access to online bookings will only continue to grow in importance. They now account for over 75% of Canadian Affair's direct flight sales. Selling to the travel trade is conducted under the brand Air Transat Holidays and providing online booking facilities for agents at www.transatholidays.co.uk, via direct XML links as well as via their two call centres and via the GDS system. Air Transat flight only sales can also be booked online via www.airtransat.co.uk and www.airtransat.ie.

Mainstream tour operator competitors such as Trailfinders, Thomas Cook Signature, Titan, First Class Holidays all have a dedicated Canada focus and brochures, centered mainly on selling packaged holidays and tours to Canada and whilst many have flight allocations on our flights. Travel agent competitors such as the Multiples e.g., Thomas Cook, the TUI Group etc. play less of a focus for sales to Canada with the majority of their sales being to traditional sun destinations in Europe and America.

3.5.2 Travel Agencies and Distribution

Travel agencies are the intermediary between the tour operator and the customer. Travel agents meet with, advise and sell the product to the customer. In general, tour operators and other suppliers remunerate travel agencies by way of a commission. Travel agencies also sell travel packages and plane tickets offered by tour operators, plane tickets sold directly by airline carriers and other travel products and services such as cruises. Travel agencies mainly operate independently, as part of large corporate groups, as franchisees or within associations or affiliations.

As a result of technological advances, online travel agencies now offer a large range of travel products by way of transactional websites on the Internet. In both the Americas and Europe, online travel sales are mostly made up of air tickets, with only a limited proportion of packages (including air and hotel).

According to industry sources, the market is composed of approximately 4,250 travel agencies in France and approximately 5,429 in Canada. We believe that competition between travel agencies is principally based on price and service level. As is the case with tour operators, low profit margins cause travel agencies to seek higher volumes and larger market shares. One of our priorities with regard to integration is to extend our distribution network in our two principal geographic markets.

Retail chains represent one third of all travel agents in Canada. The major chains are Transat Distribution Canada operating under the Club Voyages, Voyages en Liberté, Marlin Travel, TravelPlus and MTP Lite banners or affiliated programs, which is our own network of travel agencies, Carlson Wagonlit Travel®, CAA™, Flight Center, Uniglobe and Sears Canada Inc. operating as Sears Travel. Retail chains, operating under a common brand, provide a range of services to their members, in the form of centralized negotiated commission levels with major tour operators, as well as training, marketing and information services support. Consortiums of travel agents, such as Ensemble Travel Ltd. and Travel Saver constitute the second third of Canadian travel agents. They mainly offer centralized negotiated commissions with tour operators. Finally, the other third is made up of independent travel agents. Vertical integration between travel agent networks and tour operators has been taking place in Canada, as is the case in Europe.

In France, with regards to agencies, the market is also concentrated to a small number of large travel agency networks. We intend to further expand our distribution network in France through the opening of new agencies or the creation of a franchise type of network.

Even though our distribution plans focus on the harmonization and deployment of technology platforms, we intend to pursue a distribution strategy combining traditional travel agencies and the Internet, which will enable us to cater to our customers' preferences. This is where our on line/web technological platform comes in, being the cornerstone of our online operations. It plays a key role in meeting the expectations of both customers and travel agents, and significantly reducing transaction costs. This in turn can be profitable and efficient for everyone, including the customer.

3.5.3 Air Carriers

Competition between air carriers is based largely on price, as well as on schedules (convenience), choice of routes (availability of direct flights), service (comfort, classes, family-friendliness). In holiday travel, the ability of operators to bundle land portion (car rental cars, coach tours, accommodation) with the flight can also influence consumer decisions and buying patterns. Prices depend in part on supply and demand forces, thus the capacity offered in the marketplace by all operators, if excessive in comparison to demand, exerts downward pressure. Prices also vary significantly in accordance with seasonal variations in market conditions.

The air transportation industry is composed of four major segments: (i) network or full-service carriers, such as Air Canada, which primarily operate scheduled flights at major hub airports and rely mostly on the business travel segment and which, in certain cases, undertake aggressive leisure/holiday travel market share growth strategies through the establishment of low-cost subsidiaries (such as Air Canada/Rouge); (ii) low-cost carriers, such as

WestJet, operating short to medium-haul segments at secondary airports on a high-frequency, no frills basis and serving the price-sensitive business and holiday markets; (iii) leisure carriers, such as our own airline Air Transat, serving almost exclusively the holiday travel market through a combination of scheduled and charter air services; and (iv) regional airlines serving local short-haul markets and providing feed traffic to network carriers at major hubs.

Network operators market and distribute their services to the public through in-house reservations departments, global distribution systems and the Internet. Low-cost carriers sell the vast majority of their seats on the Internet. Leisure carriers charter most of their capacity to tour operators and wholesalers who, in turn, consolidate flight services into packages and sell to the public primarily via the travel agency distribution network. The tour operators negotiate bulk hotel room rates and make other arrangements to render the price of a vacation package sold to the customer more attractive than if the same consumer had attempted to make his own reservations.

Network carriers expand their destination offerings through marketing tools such as code sharing and may be part of several large global carrier-alliances, which have been formed over the last decade in this regard. Holiday and low-cost carriers generally do not interline or connect and offer principally direct point-to-point services for the origin-destination traffic segment.

Airline companies either own their aircraft or lease aircraft on a short or long-term basis. Carriers specializing in leisure travel services or offering scheduled flights configure aircraft interiors differently in order to meet their respective needs in terms of service and capacity.

We believe that network carriers, low-cost carriers and holiday or charter carriers increasingly compete in the holiday and the so-called "visiting friends and relatives" travel markets. This is particularly true following certain policy changes enabling air carriers specializing in charter services to operate scheduled flights between certain destinations, as is the case with Air Transat, which is licensed to offer scheduled services between Canada and the countries listed in Section 3.3 of this AIF. Another trend that should be noted is the emergence of flexible or seasonal fleet strategies among leisure travel air carriers that leverage the counter-seasonal realities of the North American and European travel markets in partnership with offshore airline partners and through the use of temporary foreign worker programs in order to significantly expand or decrease fleet capacity as seasonal demand warrants. This strategy has been employed to a considerable extent over the last few years by our principal winter season competitor and will henceforth instruct Air Transat's own aircraft fleet strategy going forward.

3.6 INTELLECTUAL PROPERTY

The following is a list of our principal registered and unregistered trademarks and designs that are used in association with travel-related services rendered by our business units : the star logo and the mosaic featured on the cover of this AIF, Air Transat, Nolitours, Transat Holidays/Vacances Transat, Transat Discoveries/Transat Découvertes, Merika Tours, Look Voyages, Lookéa, Lookéko, Brokair, Canadian Affair, Bennett Voyages, Club Voyages, TravelPlus, Voyages Marlin/Marlin Travel, Exitnow.ca, Tripcentral.ca, Voyages en Liberté, Jonview Canada, Transat Holidays USA, Cameleon, Turissimo, Trafictours, Tourgreece and Vacances Tours Mont-Royal/TMR Holidays, as well as trademarks, trade names, designs and domain names associated to the aforementioned trademarks.

Some of these trademarks, such as Air Transat, Nolitours, Transat Holidays/Vacances Transat, Transat Discoveries/Transat Découvertes, Merika Tours, Transat Holidays USA, Club Voyages, TravelPlus and Voyages Marlin/Marlin Travel share the star logo and the mosaic featured on the cover of this AIF as their common platform. The creation of a unique, strong and visible corporate identity across our main business units facilitates the recognition of our various companies and divisions for both our customers and employees. It also maximizes customer awareness on both the B2C and B2B markets, while fully leveraging the contribution of all of our business units and creating value.

We believe that our intellectual property is very important to our success. Hence, we take appropriate measures to protect and defend it. We achieve this through registering our trademarks, designs and domain names with the appropriate authorities in the countries where we carry out our operations, including Canada, the United States, Europe, China and our destinations, monitoring the usage of others' trademarks, designs, trade names and domain names that are likely to cause confusion in the mind of the public with our own intellectual property and resorting to legal action when appropriate.

We also take great care not to infringe on the intellectual property and trademarks that belong to others.

3.7 TRENDS

In recent years, the activities of the Canadian holiday travel sector have been consolidated. The sector has also experienced the effect of the globalization of markets. Although a number of smaller tour operators remain, four major tour operators, one of which is foreign owned, continue to try and dominate the Canadian leisure travel industry. This past fiscal year dubbed by many as a "slow recovery year" saw the Canadian scheduled carriers diverting a portion of their unused capacity onto the leisure market which added further margin strain on leisure operators. This cyclical trend has been witnessed in previous business cycles.

Although the United Kingdom has experienced similar trends, France is still a somewhat fragmented market with several tour operators and a large number of smaller ones.

3.8 THE REGULATORY ENVIRONMENT IN WHICH WE OPERATE

As a vertically integrated company, we are involved on all levels of operation specific to holiday travel. Hence, we conduct business in a highly regulated environment as far as our tour operators, travel agencies and air carrier are concerned. All of our companies and divisions hold all licences, certificates and permits necessary for their operations and are in compliance with the requirements of applicable legislation. You will find below a description of the legislation to which we are subject.

3.8.1 Tour Operators and Travel Agencies

3.8.1.1 Canada

In Québec, Ontario and British Columbia, where our operations are centered, tour operators and travel agencies (collectively referred to in this subsection as "**Travel Agents**") are governed by specific legislation providing protection to the travel customer. The *Office de la protection du consommateur*, the Travel Industry Council of Ontario and Consumer Protection B.C. are designated authorities in Québec, Ontario and British Columbia, respectively, to carry out the control and inspection mechanisms provided for in the legislation and to ensure compliance therewith. In all three provinces, Travel Agents must hold licenses for the performance of their operations and deposit into a trust account monies received from customers in respect of the travel services purchased. The law restricts use of these funds. All three provinces have established compensation funds benefiting customers for the protection against fraud and bankruptcies of Travel Agents and end suppliers, such as airlines or cruise lines.

Key aspects addressed by applicable legislation in all three provinces are compensation funds and advertised price for travel services.

3.8.1.1.1 Compensation Funds

Québec is the only province where the Indemnity Fund is made up of customers' contributions. On April 1, 2012, the rate of contribution to the Indemnity Fund was reduced from 0.35% to 0.20% of the total cost of the travel services purchased. Customers are able to claim directly on the Indemnity Fund in the event of an end supplier failure that is not attributable to the Travel Agent. The total amount of the indemnities per event may not exceed 20% of the surplus accumulated in the Fund as of the preceding March 31 or be less than $5.0 million.

In Ontario, contrary to Québec, Travel Agents are responsible for financing travelers' financial protection through the compensation fund. As in Québec, Travel Agents registered in Ontario may draw directly on the compensation fund with a view to be reimbursed for disbursements made to customers in the event of end supplier failures. The maximum amount that may be reimbursed out of the compensation fund to a customer or Travel Agent for a failure to provide travel services is $5,000 for each person whose travel services were paid for by the customer. The maximum amount that may be reimbursed for a failure to provide travel services with respect to all claims arising out of an event or a major event is capped at $5.0 million.

In British Columbia, as in Ontario, the Indemnity Fund is made up of Travel Agents contribution. The maximum amount that may be paid from the Fund to a claimant in respect of a claim is $5,000 for each person covered by the claim, subject to a $2.0 million cap in respect of all claims relating to a single event. It remains to be seen how this cap will work out with the contribution holiday applicable to licensees under the legislation when the book value of the Travel Assurance Fund is at least $1.0 million and the contributor has paid the required contributions for successive semi-annual periods totalling three years.

3.8.1.1.2 Advertised Price for Travel Services

When it comes to advertising, the province of Québec promotes full disclosure to enable the customer to make informed decisions, namely to ensure that pricing information is not misleading and that the total price is provided at the actual time of purchase to avoid so-called "sticker-shock". However, Travel Agents may exclude from the total cost of the services advertised the Québec sales tax, the goods and services tax of Canada and the dollar amount payable as a contribution to the Indemnity Fund. The modifications brought to the Travel Agent Act and its Regulation came into effect on June 30, 2010 now states that a Travel Agent who wishes to change unilaterally the price of the travel services must insert a clause to that effect in the contract. The clause shall state that the price may only be increased following the imposition of a fuel surcharge by the carrier or an increase of the exchange rate insofar as the exchange rate has increased by more than 5% between the date of the purchase and 45 days prior to departure. In any case, no price increase may occur within 30 days prior to the date of departure. In any event if such price increase is equal to or greater than 7% of the price of the travel services, excluding Quebec sales tax or federal goods and services tax, than the customer shall choose between a full and immediate refund or the provision of the similar services.

Ontario's legislation requires any representation that refers to the price of travel services, to show in a clear, comprehensible and prominent manner the total amount to be paid for travel services, either including all fees, levies, service charges and surcharges or excluding them and, in the latter case, to provide either an itemized list of the cost for each fee, levy, service charge and surcharge, or the total cost the customer will be required to pay for fees, levies, service charges or surcharges. The practice for Transat's Travel Agents in Ontario is to advertise the price of travel services by providing a base price excluding all fees, levies, service charges and surcharges along with the total cost of the latter items featured next to the base price or one all-inclusive price. As in Québec, it is not necessary for representations that refer to the price of travel services to deal with retail sales tax or federal goods and services tax.

While Ontario's legislation also allows for price increases, it does so provided that the contract between the Travel Agent and the customer permits price increases and only if the cumulative price increase is by a maximum of seven per cent (7%) of the total price of the travel services, excluding any increase resulting from an increase in retail sales tax or federal goods and services tax. Otherwise, the Travel Agent must offer to the customer the choice of a full and immediate refund or comparable alternate travel services acceptable to the customer. Advertising rules in British Columbia applicable to Travel Agents are similar to Ontario but they are dealt with in general consumer protection laws.

Although air carriers are governed by federal legislation, the amendments brought to the *Consumer Protection Act* in Quebec, which came into effect on June 30, 2010, prevents air carriers from charging a higher price than what is advertised. Further to a public consultation by the Canadian Transportation Agency on Air Services Price Advertising, proposed amendments to the Air Transportation Regulations adopted pursuant to the Canada Transportation Act were pre-published in Part I of the Canada Gazette on July 3, 2012 and came into effect on December 14, 2012. The Air Transport Regulations require that the price of air services represented in any advertisement be the total price, inclusive of all taxes, fees and surcharges. As well, the advertisement must include a description of the air services offered and the customer must have access to the breakdown of the components of the price paid (taxes, fees and charges paid to a third party) and the fees for any optional services available. It is to be noted that the new regulations do not apply to air cargo services, sale of air services to businesses or the sale of package travel services where air services are sold with other features such as accommodation, tours, cruises or car rentals.

So far, other provinces have not adopted similar provisions.

As at the date of this AIF, our companies and divisions doing business as Travel Agents hold all licenses necessary for their operations and are in compliance, in all material respects, with the requirements of applicable legislation.

3.8.1.2 France

In France, travel agents (producers and distributors) are governed by the provisions of Law No. 92-645 of July 13, 1992, and by Decree No. 94-490 of June 15, 1994. These texts were codified as existing law in the *Code du tourisme* ("Tourism Code") by Order of December 20, 2004, and by Decree of October 6, 2006.

3.8.1.2.1 Conditions for Conducting Business Activities as a Travel Agent

The provisions of article 141-3 of the Tourism Code stipulate that travel agents must be registered with the Registration Office for Travel Agents and Other Travel Sale Agents in order to conduct their business activities. As conditions for the registration, the Code requires of corporations ("*personnes morales*") that: (1) their legal representatives fulfill conditions for professional competence (degree of qualification and/or experience in tourism) and are exempt from certain criminal convictions; (2) they occupy suitable physical facilities on French territory or that of another European Union Member State or state party to the Agreement on the European Economic Area; (3) they have proof of insurance covering the financial consequences of their professional legal liability; and (4) they provide evidence that sufficient financial security has been provided, earmarked especially to cover refunds to buyers of amounts received for travel services not exclusively involving transportation, in case of default by the agency. That security must be provided by an *organisme de garantie collective* (joint guarantee fund), a credit institution or an insurance company established on the territory of a European Union Member State or state party to the Agreement on the European Economic Area. It must cover the cost of any necessary repatriation. Refund may, with the agreement of the buyer, be in the form of provision of different services in replacement of those originally planned.

The minimum amount (currently 100,000 Euros) and method of calculating the financial security are determined by decision of the minister responsible for Tourism upon the advice of the *Conseil National du tourisme* (National Tourism Board). The calculation is based on the travel agency's total annual sales.

Look Voyages, Vacances Transat, Amplitravel and Euro Charter are all guaranteed by L'Association Professionnelle de Solidarité du Tourisme (the "**APST**"), a collective guarantee organization, for a total of over $17.5 million Euros as of October 31, 2012; the highest guarantee has been awarded to Look Voyages for an amount nearing $10.0 million Euros. In return for this commitment, the APST requires each of its members to provide counter-guaranties. As such, the APST benefits from corporate guarantee agreement from Transat, in its position as Parent Company of guarantee companies. The number of counter-guaranties requested is determined depending on the financial position of the guarantee companies as well as the real risk supported by the APST. This amount is revised annually, according to the applicable rules and in view of the financial position of the guarantee company as of October 31, 2012. The APST has requested from Transat a joint guarantee amounting to $10 million Euros.

3.8.1.2.2 Prior Information to Consumers

In the area of advertising and prior information to consumers, French law requires travel agents to disclose very detailed information so that buyers can make informed decisions. Prior to entering into contract and on the basis of a written document bearing its corporate name, its address and an indication of its administrative authorization for exercise, the travel agent must communicate to the consumer information on prices, dates and other elements constituting the services provided on the occasion of the journey or of the stay.

The travel agent must also provide to passengers, prior to entering into contract, for each leg of air travel including domestic flights, a list, in writing or by any other suitable means, containing a maximum of three potential air carriers. This information must be complemented by the list of effective carriers where these differ from the contract carriers. Furthermore, the travel agent must confirm to passengers in writing the name of the actual carrier, for each leg, no later than eight days before travel begins. Lastly, the travel agent is required to inform passengers, by suitable means, of any change to the list of carriers occurring after the contract is entered into, or the name of the effective carrier as soon as this change is known and no later than at the time of check-in.

3.8.1.2.3 Price Posting

The *Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes* (DGCCRF, Directorate-General for Fair Trading, Consumer Affairs and Fraud Control) is the administrative authority responsible for overseeing the regulation of market competition and consumer protection. In that capacity, it ensures, among other things, the respect of applicable rules in regard to pricing information. These rules are fixed by the *Code de la Consommation* (Consumer Code) and are therefore not specific to travel agents. They apply equally to all business undertakings providing products or services to consumers, which include travel agents and air carriers.

Pricing information must in principle show, no matter what support is used, the total amount of all taxes included that are in fact payable by the consumer. The published price must therefore include the airport taxes, fuel surcharges and administrative charges. The objective is to ensure that the consumer immediately knows the total price to be paid and has no unpleasant surprises upon booking.

3.8.1.2.4 Price Revisions

Published prices may be freely revised until the date on which travel is booked by the buyer. After that date, Article L.211-12 of the Tourism Code stipulates that the prices may be modified only up to thirty days before the departure date and only if the booking contract expressly provides for the possibility of upward or downward price revision, and sets forth the specific calculation methods for same, for the sole purpose of accounting for variations in (i) the cost of transport, related to, among other factors, the cost of fuel; (ii) the fees and taxes relating to the services provided, such as landing charges or boarding and disembarkation taxes in ports and airports; and (iii) exchange rates applied to the trip or stay under consideration.

Article R.211-8 of the Code stipulates that when the contract expressly states that price revisions are possible, it must mention the exact calculation methods for price variations, whether upward or downward, including the related amount of the transport charges and taxes, the currency or currencies involved that may have an impact on the cost of the trip or stay, the portion of the price to which the variation applies, and the exchange rate of the reference currency or currencies used when the price appearing on the contract was established.

As of the date of this AIF, our companies and divisions that act as travel agents hold all permits required to conduct their business activities, and are in compliance, in all material respects, with the requirements to which they are subject.

3.8.1.3 *United Kingdom*

The UK travel industry has three main regulatory bodies: ATOL, ABTA and IATA (defined hereinafter). ATOL is a government-backed protection scheme for flights and air holidays, and is managed by the Civil Aviation Authority (CAA). Most firms who sell air travel in the UK such as Canadian Affair are required by law to hold a licence called an ATOL. ATOL protects consumers from losing money or being stranded abroad if and when a tour operator goes out of business. All licensed firms are required to take part in a financial guarantee scheme managed by the CAA which provides funds to protect customers should a firm fail. Following this measure, Canadian Affair issued a letter of credit of 15.0 million sterling pounds at the name of CAA. The holders of an ATOL licence must deliver their certificate to every customer booking a trip covered by their ATOL licence. ATOL protection is included in the price of a holiday booked with an ATOL holder. Scheduled airlines are not required to have ATOL protection for their flight only customers, and while this is a significant financial undertaking, it sets Canadian Affair apart from competitors and low cost airlines entering the market who do not have this. In recent years, where we have seen UK and Canadian airlines go out of business (Zoom & Flyglobespan.com), passengers have been left stranded with no recourse to getting their money other than through credit card companies due to the lack of protection of their money when they booked.

ABTA, the Association of British Travel Agents, is an organisation which represents UK travel agents and tour operators responsible for the sale of individual vacation travel packages (not covered by the ATOL protection). It is ABTA's role to ensure that customers benefit from consistently high standards of trading practice in the travel industry. ABTA members operate under a Code of Conduct and provide consumers guidance and advice on all aspects of holidays from financial security to complaint handling.

3.8.2 Air Carriers

3.8.2.1 *International Regulatory Framework*

Numerous commercial aspects of international air transport are regulated by international conventions, principally the *Convention on International Civil Aviation* signed in Chicago on December 7, 1944 (the "**Chicago Convention**"), by the domestic legislation of countries in which air transport is conducted, and by a network of bilateral and multilateral air transport agreements and treaties.

The Chicago Convention provides the basis for regulation of international air carrier operations. Scheduled air services are governed by the bilateral air transport agreements in effect between the countries of origin, destination and, in certain cases, continuation of the flights in question. Certain principles pertaining to the operation of international charter flights were established between each of the signatory states, which include Canada, namely that the intended transportation comply with, and be duly approved pursuant to, the national regulations of the countries between which it is being conducted.

The Chicago Convention also established the International Civil Aviation Organization (the "**ICAO**"), a specialized agency of the United Nations whose purpose is to foster the planning and development of international air transport. Under the auspices of the ICAO, rules establishing minimum operational standards are normally agreed upon on a multilateral basis. One of the treaties with considerable consequence for Transat is the landmark air transport agreement concluded between Canada and the European Union in November 2008. It formally entered into force on December 16, 2009. The agreement sets the rules for air transport services between Canada and the 28 member states of the European Union, and will liberalize market access in this respect on a progressive, phased-in basis. During the first phase, Canadian airlines will be able to operate from any point in Canada to any point in the 28 member-state EU zone without restrictions, with EU licensed air carriers enjoying reciprocal rights from any point in the EU (regardless of nationality) to any point in Canada. Subsequent liberalization phases will be contingent on the relaxation of foreign airline ownership and control rules by Canada and will involve the easing of access to third-country markets.

On November 5, 2003, the *Montréal Convention of 1999 on Compensation for Accident Victims* (the "**Montréal Convention**") came into effect. This multilateral agreement updates the rules on passenger, baggage and cargo liability applicable to international air transport and originally established by the Warsaw Convention in 1929 and amended over the years (together the "**Warsaw System**"). In general, the Montréal Convention establishes a two-tier liability regime for carriers for damages to passengers resulting from personal injury or death. The first tier includes strict liability up to 100,000 Special Drawing Rights (SDR) (approximately US$135,000) regardless of the carrier's fault. The second tier is based on presumption of fault of a carrier and has no limit of liability. The Montréal Convention provides for the review of limits of liability, thus ensuring that the amounts remain relevant with the passage of time. The first such review was duly undertaken by the ICAO during the course of 2009. It was agreed that the original amounts of the prescribed liability limits would be increased by 13.1% effective January 1, 2010. In addition to establishing new principles of liability, the Montréal Convention modernizes many of the ticketing and air waybill requirements. The Montréal Convention has been ratified by Canada and applies to all flights between Canada and other ratifying states. For flights from Canada to non-ratifying or non-signatory states, the Warsaw System continues to govern.

As an airline operating flights from airports within the European Union, Air Transat is subject to the provisions of European Community Regulation 261/2004. This directive establishes a legal framework for the compensation and care of passengers by airlines in the event of overbooking/denied boarding, flight cancellations and long delays. While the Regulation stipulates payable compensation in the event of the first two cases, it only expressly provides for a duty of care by the airline in the context of a long flight delay (meals, snacks, hotel accommodation, as applicable). In November 2009, the European Court of Justice issued a ruling that extended financial compensation obligations to long delays as well. The European Commission recently proposed a revision of Regulation 261.

3.8.2.2 Canadian Legislation

The *Aeronautics Act*, R.S.C. 1985, c. A-2 and the *Canada Transportation Act* are two of the principal legislative instruments that regulate the operation of a commercial airline in Canada. Such operation is subject to the issuance of the required licenses and operating certificate attesting that the air carrier complies with Canadian standards, as well as to the maintenance of the required liability insurance. In the case of charter flights, permits are required for each proposed flight or series of flights. Licenses and charter permits are issued by the Canadian Transportation Agency (the "**Agency**"), and the operating certificate is issued by Transport Canada. This certificate attests that the air carrier is properly organized and equipped to conduct its business in compliance with the *Canadian Aviation Regulations*, SOR/1996-433. Such a certificate was issued to Air Transat on November 13, 1987, and was subsequently modified to reflect our changing operating conditions.

Our airline Air Transat is required to obtain a permit from the Agency in respect of each international charter flight or series of charter flights. This authorization is conditional upon various details being provided to the Agency with respect to the flight, the eligibility and financial responsibility of the charterer, and the terms and conditions of the charter contract. Moreover, the issuance of any authorization relating to an international charter flight or a series of international charter flights is subject to the provision by Air Transat of satisfactory evidence that any advance payments by the charterer to Air Transat, for an international charter flight or a series of international charter flights, are protected by way of a guarantee or an irrevocable letter of credit. This guarantee or irrevocable letter of credit provides security in an amount equal to the payments received by Air Transat from charterers in advance of all segments of unperformed flights pursuant to a charter contract. The Agency also determines the conditions regulating the relationship between air carriers and the charterer. Under current Canadian regulations, an air carrier operating under a charter permit does not have the right to sell seats on international air services directly to the public, but must charter its capacity to one or more competent charterers. A very small portion of Air Transat's flight operations are conducted pursuant to such charter regulations, with the considerable majority governed by scheduled licensing authorities per the following paragraph.

The conditions mentioned previously do not apply to Canadian domestic operations in that the legislation no longer makes any distinction between scheduled and charter flight services. Furthermore, Air Transat is licensed to offer scheduled services to the United States, Cuba, the European Union (representing its 28 member states), Mexico, Jamaica, the Bahamas, Barbados, Turkey, Panama, Costa Rica, Nicaragua, El Salvador, Colombia, Antigua and Barbuda, St. Lucia, Netherlands Antilles and the Dominican Republic. These operations are subject to the rules established under the bilateral air transport agreements concluded by Canada with these respective countries and supranational authorities.

As at the date of this AIF, Air Transat holds all necessary licenses, certificates and permits and is in compliance, in all material respects, with the requirements of applicable Canadian legislation. Furthermore, all of our aircraft meet the ICAO chapter 3 noise requirements implemented by Transport Canada.

3.8.2.3 Foreign Legislation

In respect of each jurisdiction other than Canada in which Air Transat operates, we must comply with applicable laws and, when necessary, obtain the required licenses, permits and authorizations. Such permits and authorizations are generally issued to Air Transat provided it meets the applicable criteria, which vary from country to country. We believe that Air Transat holds all licenses, permits and authorizations necessary for its operations and is in compliance, in all material respects, with the requirements of applicable foreign legislation.

3.8.2.4 IATA

IATA, the International Air Transport Association, is the prime vehicle for inter-airline cooperation in promoting safe, reliable, secure and economical air services - for the benefit of the world's consumers. IATA membership is open to both scheduled and non-scheduled airlines. Only airlines operating air services are eligible for IATA membership. However, travel agencies can be registered as IATA approved agents. Air Transat is a member of IATA.

3.8.3 Environment

We are subject to various environmental laws and we have put the necessary processes in place to ensure compliance with the environmental requirements and standards that apply to us. If necessary, we adopt preventive and corrective measures. We believe that we comply in all material respects with the provisions of applicable environmental laws and regulations. Our Corporate Governance and Nominating Committee of the Board of Directors annually reviews risk measurement and corporate policies and procedures with respect to the environment.

Beginning in January 2012, all air carriers serving the European Union, including Air Transat, were to be subject to EU regulations concerning the application of the EU's Emissions Trading Scheme (ETS) to aviation. The ETS will establish a hard-cap for aviation greenhouse gas emissions as of the above-mentioned date and all airlines were to be required to account for such emissions either through freely-allocated or purchased credits. Pursuant to the applicable EU directives, Air Transat's compliance in this respect is to be monitored by the relevant authorities of the United Kingdom, who were in the process of finalizing and implementing application and enforcement regulations. Moreover, air carriers were required to submit formal Monitoring, Reporting and Compliance (MRV) and Monitoring and Reporting Regulation (MRR) plans, a Tonne-Kilometre benchmarking report in 2010, and Annual Emissions Monitoring (AEM) reports in 2010 through 2012 to their respective national compliance authorities in order to be eligible for the allocations of free GHG emissions credits. Air Transat has filed all relevant documentation in this respect and is currently in compliance, in all material respects, with all applicable regulations. However, as a result of formal objections by numerous countries around the world concerning the extra-territorial application and resulting alleged state sovereignty violations of the ETS, the EU suspended application of its ETS to aviation in November 2012 pending the outcome of deliberations at the International Civil Aviation Organization (ICAO) during its General Assembly in the autumn of 2013 on the question of a multilateral plan for reducing the effects of aviation GHGs on climate change. A resolution to this end was indeed adopted by the ICAO General Assembly, however the EU Commission nevertheless announced shortly thereafter that it would move ahead with application of its ETS to aviation, albeit on the basis of an EU territorial airspace model that was reduced in scope from the initial proposal, as of January 1, 2014. At publication of this AIF, major members of the EU Council, including France, Germany and the

United Kingdom had publicly objected to the Commission's plans and had expressed an interest in maintaining the suspension on ETS until 2016. We will monitor developments in this respect to determine our ultimate compliance requirements, if any, in 2014 in this respect.

In addition, in 2008, Transat's Board of Directors formally adopted a sustainable tourism policy, which was made public and which includes a major focus on the environment. In 2010, Transat developed and implemented an environmental policy. This policy provides a framework and sets out the principles guiding our action in this area.

3.8.4 Corporate Social Responsibility

As an industry, tourism is intimately linked to communities, both at destination and in source-markets. It brings them benefits and encourages protection of the environment, heritage and diversity. But tourism also entails pressures of various natures on the environment and community development. As a Corporation, we pay attention to communities, give back as much as possible, and strives to develop sound and mutually beneficial relationships with all stakeholders, including our employees. We define this as sustainable tourism, that is tourism that entails respect for nature as well as for host communities and their values, and that combines positive socio-economic benefits for local populations with an enriching experience for travelers.

We have in place a comprehensive corporate responsibility program, on which we presented a report at the end of fiscal 2012, which is available online at www.resp.transat.com. The report provides an account of the organization's commitment to taking responsible actions, and describes the main accomplishments.

Transat ascribes great importance to skills upgrading and maintenance of a work atmosphere based on respect. Over the years, we have implemented a variety of programs and tools to improve employee orientation and integration, training as well as all aspects of employee recognition. When it comes to diversity, a key value for Transat, half of our senior executives are women, and we promote hiring of candidates from minority groups. We also encourage employment of local personnel for positions at destination.

Skills upgrading and professional development are the core of our strategy. In the last few years, we have developed a flexible training offering, adaptable to employees' needs. Going forward, our skills-upgrading strategy will be articulated around six profiles defined according to the various types of jobs at Transat. The development opportunities in relation to these skills are varied and benefit both employees and managers. A flagship program, called Odyssey, is intended for Canadian managers and includes eight modules focusing on upgrading key skills in Transat's field of activity. To date, 499 managers have begun the program, and 105 of them have completed more than half the modules. Transat Academy is an undergraduate university program in organizational management, offered to Canadian employees on a volunteer basis, subject to certain selection criteria. It is conducted in partnership with Université de Sherbrooke, Ryerson University in Toronto and Simon Fraser University in Vancouver.

To strengthen this culture geared toward upgrading of competencies and encourage personnel to excel, we have developed a structured method for evaluating employee potential, with input from a specialized firm. Based on the initial results, we decided to deploy this approach earlier in the careers of targeted employees, so as to accelerate their development and outpace competitors elsewhere in our industry.

Transat's Code of Ethics was revised in 2010, and now includes commitments related to our vision of corporate responsibility. This document, approved by the Board of Directors, is at once an expression of our corporate culture and an instrument of change management. Every employee is required to read it and commit to complying with it.

Our corporate responsibility program and all sub-programs are managed by the Corporate Responsibility Committee (CRC), made up essentially of senior executives from all areas of the Corporation. The CRC meets two to four times a year.

3.9 RISK FACTORS

We are subject to a number of risks and other factors that could affect demand for our offering, some of which are related or inherent to the travel industry in general. Please see the "Risks and Uncertainties" section of our Management's Discussion and Analysis for the year ended October 31, 2013 available for consultation on SEDAR at www.sedar.com.

4. DIVIDENDS AND NORMAL COURSE ISSUER BID

4.1 DIVIDENDS

On March 11, 2009, we announced that our Board of Directors had suspended until further notice dividends to holders of the Variable Voting Shares and of the Voting Shares, in order to keep cash on hand to contend with business challenges arising from the prevailing economy. No decision has been taken with respect to future dividends, and no assurance can be given that any dividends will be paid in the future.

4.2 NORMAL COURSE ISSUER BID

The normal course issuer bid program was not renewed in June 2009 and therefore no voting shares were purchased for cancellation since.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS

We refer you to our Management's Discussion and Analysis for the year ended October 31, 2013 available for consultation on SEDAR at www.sedar.com.

6. OUR SHARE CAPITAL STRUCTURE

6.1 CONSTRAINTS ON SHARE OWNERSHIP

Pursuant to the *Canada Transportation Act*, Air Transat must at all times be in a position to establish that it is "Canadian" within the meaning of such act (hereinafter, a "**Qualified Canadian**") in order to hold the licenses necessary to operate an air service. Because Air Transat is wholly owned by Transat, we must be a Qualified Canadian in order for Air Transat to be a Qualified Canadian. Currently, we must ensure that no more than 25% of voting interests attaching to our shares are owned or controlled by persons who are not Qualified 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 Qualified Canadians and carry one vote per share unless (i) the number of issued and outstanding Variable Voting Shares exceeds 25% of all the issued and outstanding voting shares (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*), or (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting exceeds 25% (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*) of the total number of votes that may be cast at such meeting. If either of the above-noted thresholds would otherwise be surpassed at any time, the vote attached to each Variable Voting Share will decrease proportionately such that (i) the Variable Voting Shares as a class do not carry more than 25% of the aggregate votes attached to all issued and outstanding voting shares of the Corporation; and (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting do not exceed 25% of the votes that may be cast at such meeting. The Voting Shares can only be owned and controlled by Qualified 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 any 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 Qualified Canadians and the Variable Voting Shares are owned or controlled by persons who are not Qualified 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 a meeting either by: (i) completing and delivering a proxy form or a voting instruction form, or (ii) by attending and voting at such meeting, will be required to complete a declaration of ownership and control in order to enable Transat to comply with the Ownership Restrictions. If a shareholder does not duly complete such declaration or if it is determined by Transat or its transfer agent, CST Trust Company (CST), that a shareholder indicated (through inadvertence or otherwise) that he or she owns or controls the wrong class of shares, the automatic conversion provided for in our Articles shall be triggered. Where a statement made in a declaration appears inconsistent with the knowledge of Transat (through inadvertence or otherwise), we may take any action that we deem appropriate with a view to ensure compliance with the Ownership Restrictions. Further, if a declaration is not duly completed, executed and delivered to Transat through its transfer agent, CST, the vote attached to such declarant's voting shares will not be tabulated.

Proposed Change to Restriction on Foreign Ownership

Bill C-10, the *Budget Implementation Act 2*009 was adopted on March 12, 2009 by Parliament. This Act contains provisions whereby the foreign ownership limit in the *Canada Transportation Act* applicable to voting securities of air carriers would be amended to provide the Governor in Council with flexibility to increase the limit from the existing 25% level to a maximum of 49%. This provision will come into force on a date to be fixed by order of the Governor in Council made on the recommendation of the Minister of Transport (federal).

6.2 INFORMATION AND REPORTING

Transat or its transfer agent will provide the shareholders, in accordance with the applicable securities legislation, with the financial statements of Transat (including the annual and quarterly financial statements) and the other reports required by the applicable laws, including the prescribed forms the shareholders need to file their tax returns in accordance with the *Income Tax Act* and the equivalent provincial legislation.

Before each meeting of the shareholders, the Board of Directors of Transat will provide the shareholders (with the Notice of Meeting) with a proxy form and all the information that must be provided to them, under the applicable legislation and the TSX rules.

Transat's directors and officers are required to file insider reports and comply with the insider trading provisions of the Canadian securities legislation regarding trading by these persons in Transat's securities.

6.3 SHAREHOLDER RIGHTS PLAN OF TRANSAT

Transat's Shareholder Subscription Rights Plan dates back to February 3, 1999 and was ratified by the shareholders on March 24, 1999. This plan was renewed by the Board of Directors on February 13, 2002, and ratified by the shareholders on March 27, 2002, and was renewed again by the Board of Directors on March 15, 2005, and ratified by the shareholders on April 27, 2005. It was renewed by the Board of Directors for a third time on January 16, 2008, and ratified by the shareholders on March 12, 2008. On January 12, 2011, the Board of Directors approved the plan for a fourth time, and it was ratified by the shareholders on March 10, 2011 (the "**Existing Plan**"). The terms of the Existing Plan are set forth in the full text of the Amended and Restated Shareholder Rights Plan between the Corporation and the Canadian Stock Transfer Company Inc. (CST), as rights agent.

The Existing Plan is designed to provide Transat's shareholders and the Board of Directors additional time to assess an unsolicited takeover bid for the Corporation and, where appropriate, to give the Board of Directors additional time to pursue alternatives for maximizing shareholder value. It also encourages fair treatment of all shareholders by providing them with an equal opportunity to participate in a takeover bid. The Existing Plan creates one right in respect of each Variable Voting Share and each Voting Share of Transat outstanding as at March 10, 2011, or subsequently issued. Presently, until the separation time, which typically occurs at the time of an unsolicited takeover bid, whereby an Acquiring Person (as defined in the rights plan) acquires or attempts to acquire 20% or more of the Variable Voting Shares or 20% or more of the Voting Shares of Transat, the rights are not separable from the shares, are not exercisable and no separate rights certificates are issued.

The Existing Plan is scheduled to expire at the close of the annual and special meeting of the shareholders to be held on March 13, 2014. On December 11, 2013, the Board of Directors approved the updating and restatement of the Existing Plan for another three-year period, with certain minor changes, which are described hereafter (the "**2014 Rights Plan**"). The 2014 Rights Plan will come into force only after the annual and special meeting of the shareholders to be held on March 13, 2014, provided that the 2014 Rights Plan ratification resolution is approved by a majority of the votes cast by the shareholders, in person or by proxy, at the meeting. Once ratified on March 13, 2014, the 2014 Rights Plan will expire at the close of business the day after the annual meeting of shareholders to be held in 2017, unless earlier terminated in accordance with its terms.

Under the Existing Plan, each right, other than those held by an Acquiring Person and certain of its related parties, entitles the holder in certain circumstances following the acquisition by an Acquiring Person of 20% or more of the Variable Voting Shares or 20% or more of the Voting Shares of Transat (otherwise than through the "Permitted Bid" requirements of the Existing Plan) to purchase from Transat $200 worth of Variable Voting Shares or Voting Shares for $100 (i.e. at a 50% discount). Upon such exercise, holders of rights beneficially owned and controlled by Qualified Canadians would receive Voting Shares and holders of rights beneficially owned or controlled by persons who are not Qualified Canadians would receive Variable Voting Shares.

The 2014 Rights Plan contains amendments to the Existing Plan which will render effective a decision issued by Canadian regulatory authorities (pursuant to an application of Transat) that effectively treats Transat's Class A Variable Voting Shares and Class B Voting Shares as a single class for the purposes of applicable takeover bid requirements and early warning reporting requirements contained under Canadian securities laws. A copy of the decision is available under Transat's profile at www.sedar.com.

Therefore, subject to certain exceptions identified in the 2014 Rights Plan, the 2014 Rights Plan would be triggered in the event of an offer to acquire 20% or more of the outstanding Class A Variable Voting Shares and Class B Voting Shares of Transat calculated on a combined basis, instead of 20% or more of the outstanding Class A Variable Voting Shares or Class B Voting Shares calculated on a per class basis as it is the case under the Existing Plan.

6.4 GENERAL DESCRIPTION OF OUR SHARE CAPITAL

As at the date of this AIF, Transat's share capital is composed of Voting Shares and Variable Voting Shares introduced in our latest Articles of Amendment filed on March 4, 2005 and effective as at that date (the **"Articles of Amendment")**, as well as Preferred Shares. As of October 31, 2013, there were 672,404 issued and outstanding Variable Voting Shares and 37,796,083 issued and outstanding Voting Shares. Below is a summary describing the rights, privileges, restrictions and conditions attached to Transat's Variable Voting Shares, Voting Shares and Preferred Shares.

6.4.1 Class A Variable Voting Shares

6.4.1.1 Exercise of Voting Rights

The holders of Variable Voting Shares are entitled to receive notice of, to attend and vote at all meetings of our shareholders, except those at which the holders of a specific class are entitled to vote separately as a class under the *Canada Business Corporations Act*.

Variable Voting Shares carry one vote per share held, except where (i) the number of outstanding Variable Voting Shares exceeds 25% of the total number of all issued and outstanding Variable Voting Shares and Voting Shares (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*), or (ii) the total number of votes cast by or on behalf of the holders of Variable Voting Shares at any meeting exceeds 25% (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*) of the total number of votes that may be cast at such meeting.

If either of the above-noted thresholds is surpassed at any time, the vote attached to each Variable Voting Share will decrease automatically without further act or formality. Under the circumstances described in paragraph (i) above, the Variable Voting Shares as a class cannot carry more than 25% (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*) of the total voting rights attached to the aggregate number of issued and outstanding Variable Voting Shares and Voting Shares of Transat. Under the circumstances described in paragraph (ii) above, the Variable Voting Shares as a class cannot, for a given shareholders' meeting, carry more than 25% (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*) of the total number of votes that may be cast at said meeting.

6.4.1.2 Dividends

Subject to the rights, privileges, restrictions and conditions attached to any other class of Transat shares ranking prior to the Variable Voting Shares, the holders of Variable Voting Shares are entitled to receive any dividends that are declared by Transat's directors at the times and for the amounts that our Board of Directors may, from time to time, determine. The Variable Voting Shares and the Voting Shares shall rank equally as to dividends on a share-for-share basis. All dividends shall be declared in equal or equivalent amounts per share on all Variable Voting Shares and Voting Shares then outstanding, without preference or distinction.

6.4.1.3 Subdivision or Consolidation

No subdivision or consolidation of the Variable Voting Shares or Voting Shares shall occur unless simultaneously, the Variable Voting Shares or Voting Shares, as the case may be, are subdivided or consolidated in the same manner so as to maintain and preserve the relative rights of the holders of each of these classes of shares.

6.4.1.4 Rights in the Case of Liquidation, Winding-Up or Dissolution

Subject to the rights, privileges, restrictions and conditions attached to the other classes of Transat shares ranking prior to the Voting Shares, in the case of liquidation, dissolution or winding-up of Transat, the holders of Variable Voting Shares and Voting Shares shall be entitled to receive Transat's remaining property and shall be entitled to share equally, share for share, in all distributions of such assets.

6.4.1.5 Conversion

Each issued and outstanding Variable Voting Share shall be automatically converted into one Voting Share, without any further intervention on the part of Transat or the holder, if (i) the Variable Voting Share is or becomes owned and controlled by a Qualified Canadian, or if (ii) the provisions contained in the *Canada Transportation Act* relating to foreign ownership restrictions are repealed and not replaced with other similar provisions.

In the event that an offer is made to purchase Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Voting Shares are then listed, to be made to all or substantially all the holders of Voting Shares in a given province of Canada to which these requirements apply, each Variable Voting Share shall become convertible at the option of the holder into one Voting Share at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Variable Voting Shares for the purpose of depositing the resulting Voting Shares pursuant to the offer, and for no other reason, including notably with respect to voting rights attached thereto, which are deemed to remain subject to the provisions concerning voting rights for Variable Voting Shares notwithstanding their conversion. Our transfer agent shall deposit the resulting Voting Shares on behalf of the holder.

Should the Voting Shares issued upon conversion and tendered in response to the offer be withdrawn by shareholders or not taken up by the offeror, or should the offer be abandoned or withdrawn, the Voting Shares resulting from the conversion shall be automatically reconverted, without further intervention on the part of Transat or on the part of the holder, into Variable Voting Shares. Variable Voting Shares may not be converted into Voting Shares, and vice-versa, other than in accordance with the conversion procedure set out in our Articles of Amendment dated March 4, 2005.

6.4.1.6 Constraints on Share Ownership

Variable Voting Shares may only be owned or controlled by persons who are not Qualified Canadians.

6.4.2 Class B Voting Shares

6.4.2.1 Exercise of Voting Rights

The holders of Voting Shares shall be entitled to receive notice of, and to attend and vote at all meetings of our shareholders, except those at which holders of a specific class are entitled to vote separately as a class under the *Canada Business Corporations Act*. Each Voting Share shall confer the right to one vote at all meetings of our shareholders.

6.4.2.2 Dividends

Subject to the rights, privileges, restrictions and conditions attached to any class of Transat shares ranking prior to the Voting Shares, holders of Voting Shares are entitled to receive any dividends declared by our directors at the times and for the amounts that the Board of Directors may determine from time to time. The Voting Shares and the Variable Voting Shares shall rank equally as to dividends on a share-for-share basis. All dividends declared shall be declared in equal or equivalent amounts per share on all Voting Shares and Variable Voting Shares then outstanding, without preference or distinction.

6.4.2.3 Subdivision or Consolidation

No subdivision or consolidation of the Voting Shares or Variable Voting Shares shall occur unless simultaneously, the Voting Shares or the Variable Voting Shares, as the case may be, are subdivided or consolidated in the same manner so as to maintain and preserve the relative rights of the holders of each of these classes of shares.

6.4.2.4 Rights in the Case of Liquidation, Winding-Up or Dissolution

Subject to the rights, privileges, restrictions and conditions attached to any class of shares ranking prior to the Voting Shares, in the case of liquidation, dissolution or winding-up of Transat, the holders of Voting Shares and Variable Voting Shares shall be entitled to receive Transat's remaining property and shall be entitled to share equally, share for share, in all distributions of such assets.

6.4.2.5 <u>Conversion</u>

Each issued and outstanding Voting Share shall be converted into one Variable Voting Share, automatically and without any further act of Transat or the holder, if such Voting Share is or becomes owned or controlled by a person who is not a Qualified Canadian.

In the event that an offer is made to purchase Variable Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Variable Voting Shares are then listed, to be made to all or substantially all the holders of Variable Voting Shares, each Voting Share shall become convertible at the option of the holder into one Variable Voting Share at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Voting Shares for the purpose of depositing the resulting Variable Voting Shares pursuant to the offer, and for no other reason, including notably with respect to voting rights attached thereto, which are deemed to remain subject to the provisions concerning the voting rights for Voting Shares notwithstanding their conversion. Our transfer agent shall deposit the resulting Variable Voting Shares on behalf of the holder.

Should the Variable Voting Shares issued upon conversion and tendered in response to the offer be withdrawn by shareholders or not taken up by the offeror, or should the offer be abandoned or withdrawn, the Variable Voting Shares resulting from the conversion shall be automatically reconverted, without further intervention on the part of Transat or on the part of the holder, to Voting Shares.

The Voting Shares may not be converted into Variable Voting Shares, or *vice-versa*, other than in accordance with the conversion procedure set out in the Articles of Amendment.

6.4.2.6 <u>Constraints on Share Ownership</u>

The Voting Shares may only be owned or controlled by persons who are Qualified Canadians.

6.4.3 Preferred Shares

The Preferred Shares, if issued, will rank prior to the Variable Voting Shares and the Voting Shares with respect to the payment of dividends and the distribution of assets. In the event of the dissolution or liquidation of the Corporation or the distribution of its capital, no amount shall be paid and no asset shall be distributed to the holders of shares of any other class of the Corporation until the holders of the Preferred Shares receive an amount equal to the value of the consideration received by the Corporation upon the issuance of such shares and, in the case of Preferred Shares of a series entitled to cumulative dividends, of all dividends then accrued and unpaid, and, for Preferred Shares of a series entitled to non-cumulative dividends, of all dividends declared thereon and unpaid, if any, plus any other amount, if any, determined by the directors in respect of each series prior to the issue of any Preferred Shares of such series. The holders of the Preferred Shares of a particular series shall be entitled to the payment of this entire amount from the assets of the Corporation in preference and prior to the holders of any other class of shares of the capital of the Corporation.

The Preferred Shares of each series will rank equally with the Preferred Shares of other series in terms of payment of dividends and distribution of assets upon liquidation or dissolution of the Corporation.

7. MARKET FOR SECURITIES

Our Variable Voting Shares and our Voting Shares are listed on the TSX under the symbols TRZ.A and TRZ.B, respectively.

The following tables set out the reported high and low prices and trading volume of: (i) the foreign owned Variable Voting Shares listed as "TRZ.A"; and (ii) the Canadian owned Voting Shares listed as "TRZ.B" for each month of the fiscal year ended October 31, 2013.

TRANSAT A.T. INC. TRZ.A			
Month	**High**	**Low**	**Volume**
October 2013	$12.98	$10.37	59,870
September 2013	$11.56	$8.45	65,305
August 2013	$8.65	$8.00	27,830
July 2013	$9.04	$7.31	29,580
June 2013	$7.50	$5.30	22,712
May 2013	$5.68	$5.10	12,928
April 2013	$5.59	$4.75	22,207
March 2013	$6.55	$5.00	78,549
February 2013	$6.75	$6.00	10,610
January 2013	$6.20	$5.06	10,781
December 2012	$6.34	$5.04	26,571
November 2012	$5.80	$5.16	33,467

TRANSAT A.T. INC. TRZ.B			
Month	**High**	**Low**	**Volume**
October 2013	$12.87	$10.44	3,002,721
September 2013	$11.40	$8.24	4,187,622
August 2013	$8.65	$7.91	746,969
July 2013	$8.80	$7.36	2,670,502
June 2013	$7.89	$5.28	2,506,431
May 2013	$5.85	$5.15	1,240,996
April 2013	$5.54	$4.57	1,207,855
March 2013	$6.65	$5.15	1,312,638
February 2013	$6.69	$6.02	625,241
January 2013	$6.23	$5.81	1,003,633
December 2012	$6.30	$5.35	1,930,922
November 2012	$5.66	$5.10	1,230,922

On October 31, 2013, the closing price on the TSX of a Variable Voting Share was $12.65 and the Voting Shares closed at a price of $12.87.

8. OUR DIRECTORS AND OFFICERS

8.1 ORGANIZATIONAL CHANGES

Transat implemented changes to simplify its organizational structures in Canada, in order to accelerate its decision-making and execution. In this context, Transat announced the appointment of Annick Guérard as General Manager of Transat Tours Canada on December 3, 2012, and the appointment of Jean-François Lemay as General Manager of Air Transat, who also retained his position as Vice-President, Human Resources and Talent Management, at Transat. From that time on, Jean-Marc Eustache, Chairman of the Board, President and Chief Executive Officer of Transat, was entrusted with oversight of operations at the subsidiaries Transat Tours Canada, Transat Distribution Canada and Canadian Affair, while Annick Guérard was confirmed in her duties of overseeing Air Consultants Europe's operations. Allen B. Graham continued to perform his duties as President of Air Transat until his retirement on June 30, 2013, after which Jean-Marc Eustache was entrusted with the presidency of Air Transat. These announcements triggered changes in personnel, appointments and promotions, as well as changes in reporting lines.

Furthermore, on June 19, 2013, Transat announced the appointment of Joe Adamo as General Manager of Transat Distribution Canada, replacing Yves Lalumière, who left the Corporation in mid-August 2013 to take on new challenges.

Further to the acquisition of the assets of TMR on February 1, 2012, Anna Malito, who was Vice-President, Products Development at Transat Tours Canada Inc., was appointed President of TMR and Jean-Marc Eustache, Chairman of its Board of Directors.

Back on November 23, 2011, Transat had announced changes to the management structure of its main Canadian business unit, Transat Tours Canada. Two distinct divisions, one focusing on the sun market and the other on the transatlantic market, had been created to concentrate decision-making powers, improve accountability and increase efficiency.

On June 11, 2009, Transat had also announced important changes to its management team, including the retirement of two of its three co-founders, Lina De Cesare and Philippe Sureau, after 30 years of service to the organization. Effective November 1, 2009, co-founders Lina De Cesare and Philippe Sureau left their positions as President, Tour Operators and President, Distribution, respectively. Both remain members of Transat's Board of Directors and since act as advisors to the President and Chief Executive Officer. A Service Agreement has been concluded between Transat A.T. Inc. and Lina De Cesare (the Consultant) from November 1, 2012 to October 31, 2013. As a consultant, Lina De Cesare receives for her services, fees according to the following hourly rate:

- $350.00

- $175.00 when traveling for work outside the country (airplane)

The total amount of fees paid to Lina De Cesare for the period from November 1, 2012 to October 31, 2013 is $55,125.

A Service Agreement has also been concluded between Transat A. T. Inc. and Philippe Sureau (the Consultant) from November 1, 2012 to October 31, 2013. As a consultant, Philippe Sureau receives for his services, fees according to the following hourly rate:

- $250.00

- $125.00 when traveling for work outside the country (airplane)

The total amount of fees paid to Philippe Sureau for the period from November 1, 2012 to October 31, 2013 is $14,500.

These two (2) Service Agreements were renewed for the year beginning November 1, 2013, and ending October 31, 2014, without significant changes.

8.2 MATERIAL CONTRACTS

Other than the agreements entered into in the normal course of business, the only material agreements entered into in fiscal 2013, or before fiscal 2013 and which are still in force are the Renewed Professional Services Agreement entered into by the Corporation with Philippe Sureau and Lina De Cesare, respectively, which both act as advisors to the President since their retirement date on November 1, 2009. Each Renewed Professional Services Agreement contains an early termination clause by any of the parties upon prior written notice. Each agreement also provides for confidentiality and non-solicitation undertakings. These professional services were filed and are available on the SEDAR website at www.sedar.com.

8.3 OUR DIRECTORS

The following table states, as at the date of this AIF, the name, province and country of residence, year of election as director and present principal occupation of each director of Transat, as well as the number of voting shares of Transat owned by each director or over which he or she exercises control or direction. Each of our directors shall hold office until the next annual meeting of Transat or until his or her replacement is elected.

Name of Director, Province and Country of Residence	Principal Occupation	Director Since	Voting Shares Owned or Controlled or Directed(1)	Deferred Share Units (DSUs)(1)
Jean-Marc Eustache *Québec, Canada*	Chairman of the Board, President and Chief Executive Officer	February 1987	401,766	10,331
Louis-Marie Beaulieu *Québec, Canada*	Chairman of the Board and Chief Executive Officer of Groupe Desgagnés Inc.	March 2013	10,000	1,507
Lina De Cesare *Québec, Canada*	Advisor to the President	May 1989	87,576	7,402
Jean Pierre Delisle *Québec, Canada*	Corporate Director and Executor of Estates	September 2007	33,000	8,970
W. Brian Edwards *Québec, Canada*	Corporate Director	June 2010	18,790	15,204
Jean-Yves Leblanc *Québec, Canada*	Lead Director and Corporate Director	December 2008	5,000	11,286
Jacques Simoneau *Québec, Canada*	President, Chief Executive Officer and Director of Gestion Univalor, L.P.	November 2000	15,580	9,584
Philippe Sureau *Québec, Canada*	Advisor to the President	February 1987	366,609	13,118
John D. Thompson *Québec, Canada*	Corporate Director	April 1995	30,000	16,393
Dennis Wood, O.C. *Québec, Canada*	President and Chief Executive Officer of DWH Inc. *(a venture capital corporation which invests in various industries)*	March 2004	7,143	35,091

(1) The number of shares indicated is given as at October 31, 2013 and is based on the declarations of our directors. Under the guidelines adopted by Transat, each director who is not an employee must hold a number of shares or deferred share units of Transat equivalent to at least three times the annual retainer to which he or she is entitled after having served three years as a director. Please refer to our 2014 Management Proxy Circular for additional detail.

Each of the directors of the Corporation has had the principal occupation indicated opposite his or her name during the past five years, except as indicated below:

- Mrs. Lina De Cesare was President, Tour Operators of Transat and President of Cameleon Hotel Management Corporation from December 2004 to November 2009;
- Mr. Jacques Simoneau is President & CEO and Director of Gestion Univalor, L.P. and was Executive Vice President, Investment, Business Development Bank of Canada from April 2006 to December 2010;
- Mr. Philippe Sureau was President, Distribution of Transat and President of Transat Distribution Canada from December 2004 to November 2009; and
- Mr. Dennis Wood, O.C. was Interim President and Chief Executive Officer of GBO Inc. (formerly Le Groupe Bocenor Inc.) from 2005 to July 2009.

The Board of Directors of Transat has created four committees, to which it has given specific mandates and the necessary powers to assist it in effectively fulfilling its duties. The table below indicates the committees of the Board of Directors, with their respective membership as at October 31, 2013:

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

As at December 11, 2013, Mr. Jean-Yves Leblanc is the lead director of Transat. For more information, we refer you to section 14 of this AIF. His responsibilities include chairing and coordinating the meetings of the Audit Committee.

8.4 OUR EXECUTIVE OFFICERS

The following table sets forth the names, province and country of residence of the executive officers of Transat, their first year of service and current position held with Transat, as well as the number of voting shares of Transat owned or over which he or she exercises control or direction.

As at October 31, 2013, the executive officers and directors of the Corporation as a group own a total of 1,144,796 Voting Shares, which represent 3.03% of the total number of Voting Shares issued and outstanding as at that date and 2.98% of the voting rights attached to all the Variable Voting Shares and the Voting Shares, collectively.

Name, Province and Country of Residence	First Year of Service with Transat	Position Held with Transat and Certain Subsidiaries	Voting Shares Owned or Controlled or Directed[1]
Jean-Marc Eustache *Québec, Canada*	1987	Chairman of the Board, President and Chief Executive Officer of Transat, President of Air Transat, Transat Distribution Canada and TMR and Chairman of the Board and President of Transat Tours Canada	401,766
Joseph Adamo *Québec, Canada*	2011	Vice-President, Marketing and E-Commerce of Transat Tours Canada and General Manager of Transat Distribution Canada Inc.	1,907
Michel Bellefeuille *Québec, Canada*	2002	Vice-President and Chief Information Officer	16,634
Bernard Bussières *Québec, Canada*	2001	Vice-President, General Counsel and Corporate Secretary	46,739
Patrice Caradec *Québec, Canada*	1997	President and General Manager of Transat France S.A.S.	14,921
André De Montigny *Québec, Canada*	2000	Vice-President, Corporate Development	53,616
Daniel Godbout *Québec, Canada*	1999	Vice-President, Transport and Yield Management of Transat and Vice-President, Transat Tours Canada	77,020
Annick Guérard *Québec, Canada*	2002	General Manager of Transat Tours Canada Inc.	5,759
Jean-François Lemay *Québec, Canada*	2011	Vice-President, Human Resources and Chief Talent Officer of Transat, and General Manager of Air Transat A.T. Inc.	7,814
Michel Lemay *Québec, Canada*	2006	Vice-President, Communications and Corporate Affairs and Chief Brand Officer	22,674
Denis Pétrin *Québec, Canada*	1990	Vice-President, Finance and Administration and Chief Financial Officer	21,855

(1) The number of shares indicated is given as at October 31, 2013 and is based on the declarations of our executive officers. It should be noted that the number of shares mentioned does not include shares purchased during the year by the executive officers under the Transat Share Purchase Plan for the Benefit of All Employees or Executives or awarded at the beginning of the year under the Transat Permanent Stock Ownership Incentive Plan for Top Managers.

With the exception of Messrs. Jean-Marc Eustache, Bernard Bussières, André De Montigny and Michel Lemay, who over the past five years have had the principal occupation indicated opposite their name, the other executive officers of Transat held the following positions:

- Mr. Joseph Adamo was the General Manager, Marketing and E-Commerce of Transat Tours Canada from August to November 2011 and is the Vice-President, Marketing and E-Commerce of Transat Tours Canada since 2011. Since June 2013, he is also the General Manager of Transat Distribution Canada;

- Mr. Michel Bellefeuille was Vice-President Information Systems of Transat from April 2009 to November 2009 and of both Air Transat and Transat Tours Canada from January 2002 to November 2009;

- In 1997, Mr. Patrice Caradec was appointed as Director, Commercial and Marketing of Vacances Transat (France). He was then Assistant General Manager before getting appointed as President and General Manager in 2004;

- From May 2001 to January 2005, Mr. Daniel Godbout was the President and General Manager of the division Transat Holidays of Transat Tours Canada. In January 2005, he was appointed Vice-President, Transport and Yield Management for the Transat Holidays, Nolitours and World of Vacations divisions of Transat Tours Canada and for Air Transat and, thereafter, Senior Vice-President, Transport and Yield Management of Transat Tours Canada. Since November 2011, he is Vice-President of Transat Tours Canada and also Vice-President, Transport and Yield Management of Transat;

- In 2002, Mrs. Annick Guérard was appointed Senior Director of the Customer Services Department of Air Transat which she held for a period of four years. In 2006, she was appointed Brand Manager Director at Transat Tours Canada and thereafter Acting Vice-President, Marketing. From November 2007 to August 2010, she held the position of Vice-President and General Manager of Jonview Canada in Toronto. In August 2010, she was Vice-President, Marketing and E-Commerce at Transat Tours Canada and, thereafter, Vice-President, South Products from November 2011 to December 2012. Since December 3, 2012 she is the General Manager of Transat Tours Canada.

- Jean-François Lemay is the Vice-President, Human Resources and Chief Talent Officer of Transat since 2011 and was appointed General Manager of Air Transat on April 25, 2013. From October 2003 to October 2011, he was a partner at Dunton Rainville practicing in administrative and employment law;

- Denis Pétrin was Vice-President, Finance and Administration of Transat Tours Canada from May 2003 to November 2009.

8.5 CEASE TRADE ORDERS OR BANKRUPTCIES

To the knowledge of Transat and except for: (i) Mr. Dennis Wood, who (a) was Acting President and Chief Executive Officer of GBO Inc. (formerly Le Groupe Bocenor Inc.), until July 16, 2009, which company filed a notice of intention to make a proposal under the *Bankruptcy and Insolvency Act* (Canada) on June 11, 2004, which was accepted by the creditors on July 14, 2004 and ratified by the Superior Court of Quebec on August 5, 2004 and (b) was a director of Blue Mountain Wallcoverings Group Inc. at the time the petition for the issuance of the initial order pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA**") was granted and at the time the initial order granting Blue Mountain Wallcoverings Group Inc. and its subsidiaries creditor protection under the CCAA was issued on March 20, 2009; and for (ii) Mr. John D. Thompson, who served on the board of directors of Shermag Inc. from 1996 until August 8, 2007, being less than 12 months before such corporation filed for protection under the CCAA on May 5, 2008, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of our Corporation is, as at the date of the AIF or has been, within the 10 years before the date of the AIF, a director or executive officer of any company that while that person was acting in that capacity,

(i) or was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days,

(ii) or was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days,

(iii) or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

8.6 PENALTIES OR SANCTIONS

To the best of the knowledge of the Corporation, no director or executive officer of Transat has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

8.7 PERSONAL BANKRUPTCIES

To the best of the knowledge of Transat, as at the date of this AIF or within ten years before the date of this AIF, no director or executive officer has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

9. LEGAL PROCEEDINGS

In the ordinary course of business, Transat is a defendant in a number of legal proceedings, suits, and claims common to companies operating in the travel industry and engaged in the wholesale, retail or airline business. We believe that the ultimate outcome of these matters will not have a material effect upon the Corporation's financial position, operating results or cash flows.

None of the above proceedings will have a material adverse effect on either Transat Tours Canada's, Air Transat's Transat France's or Transat's operating results or financial condition seeing that Transat's insurers will assume all amounts payable by Transat or its subsidiaries in the event of an adverse liability finding, subject to the terms and conditions of their insurance coverage.

10. TRANSFER AGENT AND REGISTRAR

As at the date of this AIF, the transfer agent and registrar for the shares of Transat is CST Trust Company, 2001 University Street, Suite 1600, Montréal, Québec H3A 2A6. Registrar offices are located in Toronto, Montreal, Calgary, Vancouver and Halifax.

11. INTERESTS OF EXPERTS

Ernst & Young LLP is the public accounting firm that prepared the auditors' report to shareholders with respect to the Corporation's consolidated financial statements for the years ended October 31, 2013 and 2012 included in the Corporation's 2013 Annual Report. Ernst & Young LLP has confirmed to the Corporation that it is independent within the meaning of the Rules of Professional Conduct of the *Ordre des comptables professionnels agréés du Québec*.

12. MATERIAL CONTRACTS

Other than the agreements entered into in the normal course of business, the only material agreements entered into in fiscal 2013, or before fiscal 2013 and which still in force are the Renewed Professional Services Agreement entered into by the Corporation with Philippe Sureau and Lina De Cesare, respectively, which both act as advisors to the President since their retirement date on November 1, 2009, described in section 8.1 above.

13. FORWARD-LOOKING INFORMATION

Certain statements in this AIF, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Corporation's and its subsidiaries' current expectations. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Corporation's financial position and results of operations as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including perceptions of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances.

By its nature, this information is subject to inherent risks and uncertainties, that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of material factors, many of which are beyond the Corporation's and its subsidiaries' control, affect the operations, performance and results of the Corporation and its subsidiaries and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes (including adoption of International Financial Reporting Standards), business competition, operational and reputational risks, technological change, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Corporation's and its subsidiaries' ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Corporation's and its subsidiaries' success in anticipating and managing the foregoing factors.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the Corporation's and its subsidiaries' forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

Other than as specifically required by law, the Corporation undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties about the Corporation's business is provided in its disclosure materials, including this AIF and its most recent Management's Discussion and Analysis of Operating Results, filed with the securities regulatory authorities in Canada, available on the SEDAR website at www.sedar.com.

14. APPOINTMENT OF SINGLE LEAD DIRECTOR AND AUDIT COMMITTEE DISCLOSURE

14.1 APPOINTMENT OF SINGLE LEAD DIRECTOR

Transat's Board of Directors adopted a policy amending its Board governance structure to provide for the appointment of a single Lead Director who was elected among the independent directors at the annual and special meeting of shareholders held on March 14, 2013. The previous governance structure provided for the appointment of three Lead Directors.

The Lead Director, designated each year, is responsible, among other things, to set the agenda of the Board meetings in conjunction with the Chairman and President and Chief Executive Officer. This Lead Director, if and when appropriate, has the power to call, set the agenda for and chair meetings of the independent directors and chair in-camera sessions of the Board without management so as to give the directors an opportunity to fully and frankly discuss issues and provide feedback and direction to management. Jean-Yves Leblanc was appointed Lead Director on March 14, 2013.

14.2 AUDIT COMMITTEE'S CHARTER

Transat's Audit Committee approved the latest version of Audit Committee's Charter at its meeting held on September 10, 2013. The Board of Directors adopted and ratified the Audit Committee's Charter on September 11, 2013. A copy of the Charter of the Audit Committee is attached as Schedule I to this AIF.

14.3 COMPOSITION OF OUR AUDIT COMMITTEE

Our Audit Committee is currently composed of unrelated, independent and financially literate directors, namely Messrs. Jean-Yves Leblanc (Lead Director and Chairman), Jean Pierre Delisle, Jacques Simoneau and John D. Thompson.

14.3.1 Financial Literacy

Jean-Yves Leblanc. Mr. Leblanc holds a Bachelor of Mechanical Engineering degree from Université Laval, a Master of Industrial Engineering from the University of Toronto and a Master of Business Administration (MBA) from the University of Western Ontario. He was President and Chief Operating Officer of Bombardier Transportation from 1986 to 2000 and served as Chairman of its Board from 2001 to 2004. From 1982 to 1985, he worked as a member of management for Marine Industries where he served as Vice-President, Hydro-Electric Division, and Executive Vice-President and Chief Operating Officer respectively. Prior to that, from 1973 to 1981, he was Vice-President, then President, of Sométal Atlantic Ltée. Mr. Leblanc serves as a director of various corporations including Groupe Kéolis SAS (France), Pomerleau Inc., Premier Tech Ltd., and AIA AG (Germany). Mr. Leblanc is Chairman of the Conseil du Patronat du Québec. He is also Chairman of the Audit Committee of Groupe Kéolis SAS. Mr. Leblanc is a member of the Audit Committee of Pomerleau Inc. and Premier Tech Ltd. This experience allowed Mr. Leblanc to acquire the necessary competencies to assess Transat's accounting practices and internal controls in the preparation of its financial statements.

Jean Pierre Delisle. Mr. Delisle holds a Bachelor of Commerce degree from Concordia University (Loyola College). He is a Chartered Professional Accountant (CA) since 1967 and a director and executor of a number of companies and estates. In 1965, Mr. Delisle joined the accounting firm of Ernst & Young and became a Partner in their Tax Group in 1974. From 1980 to 1986, he was in charge of the Montréal office's Entrepreneurial Services Group. He has been Vice-President of Groupe Soficorp Inc., where he advised a number of companies in their Initial Public Offering

(IPO's) including Transat A.T. Inc. of which he was a director from April 1987 to October 1988 until his return to Ernst & Young in November 1988. Until his retirement in 2000, Mr. Delisle held a number of positions within Ernst & Young, including that of Managing Partner of the Montreal South Shore and Laval offices. He has been a director of Placements Verane Inc. since October 2000. From September to December 2001, Mr. Delisle joined Transat's senior management team as Adviser to the President in the context of the crisis facing the airline industry resulting from the events of September 11, 2001. In 2009, Mr. Delisle obtained the designation of "Certified Corporate Director" from *Université Laval*. This experience allowed Mr. Delisle to acquire the necessary competencies to assess Transat's accounting practices and internal controls in the preparation of its financial statements.

Jacques Simoneau. Dr. Simoneau has a Bachelor of Science degree, a Master of Applied Science degree from Laval University and a Ph.D. from Queen's University. He has completed the Directors Education Program at McGill University and is certified ICD.D by the Institute of Corporate Directors. He also participated in several intensive executive training courses in finance, accounting, marketing and leadership. From 1982 to 1989, he taught at Royal Military College and then joined Alcan where he held research and management positions. In 1994, he was appointed as Director, Business Development at Advanced Scientific Computing. In 1995, Dr. Simoneau focused his career mainly in investments. In 1995, he was appointed as President & CEO and Director of *Société Innovatech du sud du Québec*, a venture-capital fund. In 1999, he joined Solidarity Fund QFL as Group Vice-President for Technology Investment, and was then promoted to Senior Vice President – Industry and Services in 2000. In 2004, he became President & CEO of Hydro-Québec CapiTech, the corporate venture capital subsidiary of Hydro-Québec. In 2006, Dr. Simoneau joined the Business Development Bank of Canada (BDC) as Executive Vice-President, Investment, where he was responsible of the venture capital and the subordinate financing portfolios until 2010. He was a member of the Senior Management Committee, of the Asset and Liability Committee and of the Pension Fund Investment Committee. Dr. Simoneau is currently President & CEO and Director of Gestion Univalor, L.P., Director and member of the Audit Committee of Azimut Exploration Inc. (TSXV:AZM), Director and Chairman of the Audit Committee of Diagnocure Inc. (TSX:CUR), Director and member of the Audit Committee of Génome Québec, and Director and Chairman of the Audit Committee of Sustainable Development Technology Canada.

During his career, Dr. Simoneau was actively involved in analysing, evaluating, structuring and negotiating investments for private and publicly traded corporations. In doing so, he examined and evaluated financial statements, business and strategic plans, and questioned management thereon. He served on the Board of Directors of 6 public companies and 14 private companies and on more than 10 committees and boards of various organizations. This experience allowed Dr. Simoneau to acquire the necessary competencies to assess Transat's accounting practices and internal controls in the preparation of its financial statements.

John D. Thompson. Mr. Thompson has a Bachelor of Engineering degree from McGill University. He also holds an MBA degree from the University of Western Ontario. From 1962 to 1994, Mr. Thompson held several managerial positions in the field of commercial financing and corporate financing for large firms with Roynat Capital, Canada's leading private merchant bank, where he was employed as General Manager from 1968, President and Chief Executive Officer from 1973 and of which he became Chairman of the Board of Directors in 1989. During the same year, Mr. Thompson joined the parent company Montréal Trust Company of Canada as President and Chief Executive Officer. During the course of his career, Mr. Thompson also acted as a director of various Canadian companies. Until December 2009, Mr. Thompson was the Chairman of the Audit and Conduct Review Committees of certain corporations of the Scotia Bank Group, including Montreal Trust Company of Canada, National Trust Company, Bank of Nova Scotia Trust Company, Scotia Life Insurance Company, Scotia General Insurance Company, Scotia Mortgage Corporation, Mortgage Insurance Company of Canada, Maple Trust Company and Dundee Bank of Canada. He is also a director of the MacDonald Stewart foundation and a governor of the Windsor foundation and of St. Mary's Hospital Centre. As part of the numerous managerial positions he has held in the field of commercial financing, corporate financing and merchant banking, Mr. Thompson was actively involved in analyzing, evaluating, structuring and negotiating financing for private and publicly traded corporations of all sizes. In doing so, he closely examined and evaluated financial statements, business and strategic plans, acquisitions and questioned management thereon. This experience allowed Mr. Thompson to acquire the necessary competencies to assess

Transat's accounting practices and internal controls in the preparation of its financial statements. Furthermore, Mr. Thompson acted as a member of the audit committee for various Canadian companies.

14.4 COMPLAINT PROCEDURES FOR ACCOUNTING AND AUDITING MATTERS

In response to National Instrument 52-110 – *Audit Committees* and as part of our efforts to maintain a high standard of good corporate governance, we developed a whistleblower policy and reporting procedure that allow employees of Transat to report, in a confidential manner, any concerns they may have regarding questionable accounting, internal accounting controls or auditing matters. Hence, at its meeting held on September 8, 2004, Transat's Audit Committee approved Complaint Procedures for Accounting and Auditing Matters applicable to the Corporation and its subsidiaries, which were amended on January 17, 2007. Complaints may be addressed separately to the attention of the Vice-President, General Counsel and Corporate Secretary or of the Corporate Director, Internal Audit. At each Audit Committee meeting, members receive a report indicating whether any complaints regarding accounting or auditing matters have been filed.

14.5 POLICY RESPECTING THE PRE-APPROVAL OF AUDIT AND NON-AUDIT SERVICES

Transat's Audit Committee has a Policy Respecting the Pre-Approval of Audit and Non-Audit Services. Transat's Corporate Governance and Nominating Committee also approved this policy on November 16, 2004 and its Board of Directors adopted and ratified the said policy on the same date. This policy prohibits the Corporation from engaging the external auditors to provide certain non-audit services to the Corporation and its subsidiaries, including bookkeeping, or other services related to the accounting records or financial statements, financial information systems design and implementation, appraisal or valuation services, actuarial services, internal audit outsourcing services, investment banking services, management or human resources functions, legal services and expert services unrelated to the audit. The policy allows the Corporation to engage the external auditors to provide non-audit services, other than the prohibited services, only if the services have specifically been pre-approved by the Audit Committee.

14.6 EXTERNAL AUDITOR SERVICE FEES

Ernst and Young LLP have been Transat's auditors since its incorporation. They have confirmed their independence with Transat's Audit Committee.

For the fiscal years ended October 31, 2013 and October 31, 2012, Ernst & Young LLP billed the following fees for audit, audit-related, tax and all other services provided to the Corporation:

	2013	2012
Audit Fees(1)	$1,446,000	$1,139,000
Audit-Related Fees(2)	$35,000	$81,000
Tax Fees(3)	$120,000	$185,000
All Other Fees(4)	–	$ –
TOTAL	$1,601,000	$1,405,000

(1) Audit fees include fees for services rendered for the audit of the Corporation's financial statements or other services that are normally provided by the Corporation's external auditors in connection with statutory or regulatory filings or engagements. These fees also include fees for services rendered in connection with the interpretation of accounting and financial reporting standards.

(2) Audit-related fees include fees for assurance and related services that are performed by the Corporation's external auditors. These services include accounting consultations in connection with acquisitions, special audits and due diligence.

(3) Tax related fees include fees for assistance with tax planning (restructuring and discontinued operations), tax opinions as well as the preparation and review of income and other tax returns.

(4) This category of fees would normally include professional services rendered by the Corporation's external auditors, which are not reported under the captions "audit fees", "audit-related fees" and "tax fees". No such services were rendered to the Corporation for the fiscal years ended October 31, 2013 and October 31, 2012.

15. ADDITIONAL INFORMATION

Additional financial data may be found in our comparative financial statements and Management's Discussion and Analysis for the year ended October 31, 2013, both of which are contained in the 2013 Annual Report. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Transat securities and securities authorized for issuance under equity compensation plans, will be contained in our Management Proxy Circular in respect of the annual and special meeting of shareholders to be held on March 13, 2014.

Copies of these documents and additional information relating to Transat may be found on the SEDAR website at www.sedar.com and may also be obtained upon request to the Corporate Secretary of the Corporation at the following address: Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montréal, Québec, Canada H2X 4C2.

SCHEDULE 1 –
CHARTER OF THE AUDIT COMMITTEE
OF TRANSAT A.T. INC.
(the "Corporation")

Audit Committee

Constitution

The Board of Directors established an audit committee (the "**Audit Committee**") composed solely of independent directors, that is, who have no direct or indirect material relationship with the Corporation[1] and whose members and Chair are appointed by the Board of Directors. The Audit Committee is composed of no less than three (3) members.

The Audit Committee helps the Board of Directors discharge the oversight responsibilities it owes to shareholders, employees, and all interested parties. Such oversight responsibilities pertain to the financial statements of the Corporation, internal control systems, identification of risks (in collaboration with the Corporate Governance and Nominating Committee), the statutory audit of the annual financial statements and compliance with the laws, regulations and codes as established by management and the Board.

Role of the external auditors

Management is responsible for ensuring the integrity of the financial information and the efficiency of the Corporation's internal controls. The external auditors are responsible for auditing and certifying the fair presentation of the Corporation's financial statements and, in carrying out this mission, for evaluating the internal control procedures to determine the nature, scope and chronology of the audit procedures used. The Audit Committee is responsible for supervising the participants in the preparation procedure of the financial information and reporting thereon to the Board of Directors of the Corporation.

The President and Chief Executive Officer and the Vice-President, Finance and Administration and Chief Financial Officer of the Corporation are invited to and heard at the meetings of the Audit Committee. From time to time, the President and Chief Executive Officer or the Vice-President, Finance and Administration and Chief Financial Officer or any other officer of the Corporation shall appear before the Audit Committee when required to do so. Moreover, the Audit Committee meets on a quarterly and annual basis with the Corporation's external auditors, at the committee's option (but no less than once a year), without the presence of management. Each meeting of the Audit Committee provides for an in camera session to be held, as needed, without the presence of the President and Chief

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1 A material relationship means a relationship that could, in the opinion of the Board of Directors, be reasonably expected to interfere with the exercise of independent judgment of a member of the committee. The following individuals are considered to have a material relationship with the Corporation: (a) an individual who is, or has been, an employee or executive officer of the Corporation in the past three (3) years, or whose immediate family member is, or has been, an executive officer of the Corporation in the past three (3) years; (b) an individual who is, or has been, or whose immediate family member is, or has been, a member of an affiliated entity or a partner of, or employed by, a current or former internal or external auditor of the Corporation, unless a period of three (3) years has elapsed since the end of such individual's relationship with the internal or external auditor, or of the auditing relationship; (c) an individual who is, or has been, or whose immediate family member is or has been, an executive officer of an entity if any of the current executive officers of the Corporation serves on the compensation committee of such entity, unless a period of three (3) years has elapsed since the end of the service or employment; (d) an individual who has a relationship with the Corporation pursuant to which the individual may accept, directly or indirectly, any consulting, advisory or other compensation fee from the Corporation or any subsidiary of the Corporation, other than remuneration for acting in his or her capacity as a member of the Board of Directors or of any committee of the Board of Directors, or as a part-time Chair or Vice-Chair of the Board of Directors or of any committee of the Board of Directors; (e) an individual who receives, or whose immediate family member who is employed as an executive officer of the Corporation receives, more than seventy-five thousand dollars ($75,000.00) per year in direct compensation from the Corporation, other than as remuneration for acting in his or her capacity as a member of the Board of Directors or of any committee of the Board of Directors, or as a part-time Chair or Vice-Chair of the Board of Directors or of any committee of the Board of Directors, unless a period of three (3) years has elapsed since he or she ceased to receive more than seventy-five thousand dollars ($75,000.00) a year in such compensation; (f) an individual who is a member of an affiliated entity of the Corporation or of any of its subsidiaries. The foregoing is a summary of the rule. For more details, see subsection 1.4 of Regulation 52-110 respecting Audit Committees.

Executive Officer and the Vice-President, Finance and Administration and Chief Financial Officer or of any other officer.

The Audit Committee shall ensure, with the assistance of management and the external auditors, that the financial statements fairly present the Corporation's financial position in accordance with Canadian generally accepted accounting principles ("**GAAP**") and, starting November 1, 2011, in accordance with International Financial Reporting Standards ("**IFRS**") (including their evaluation of the quality of the accounting principles and policies adopted the consistency of the accounting estimates and the clarity of the financial information disclosed. Furthermore, the Audit Committee shall enquire of the external auditors about the results of the annual audit and any other matters, which must be disclosed to it pursuant to Canadian generally accepted auditing standards ("**GAAS**").

The auditors are appointed each year by the shareholders at the annual meeting based on the recommendation of the Board of Directors, following the Audit Committee's opinion. Only shareholders may remove the auditors from office.

When the auditors resign or are about to be removed or replaced, they have the right to deliver to the Corporation, with a copy to the Audit Committee, a written declaration indicating the grounds for their resignation or their objection to the removal or replacement[2].

The directors shall promptly fill any vacancy in the position of external auditor.

Powers

The Audit Committee has all the powers and duties conferred on it by the laws governing the Corporation. Within the performance of its duties, the Audit Committee has the right to examine the books, registers, and accounts of the Corporation and its subsidiaries and to discuss them, as well as any other matter regarding the financial situation of the Corporation and its subsidiaries, with the officers and auditors of the Corporation and its subsidiaries.

The Audit Committee has the power to communicate directly with the internal auditors, as the case may be, and the external auditors.

Financial Literacy

All members of the Audit Committee are financially literate[3].

Mandate

The duties of the Audit Committee's are as follows:

I. Recommend to the Board of Directors the external auditors to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or certification services;

II. Recommend to the Board of Directors the compensation of the external auditors;

2 Under the rules stated in National Instrument 51-102 -- *Continuous Disclosure Obligations*.

3 An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements.

III. Review, with the Corporation's external auditors, the approach and the scope of their audit plan and report to the Board of Directors on any material reservations the Audit Committee may have, or which the external auditors may have expressed regarding their work;

IV. Resolve disagreements between management and the external auditors regarding financial information;

V. Review and recommend acceptance to the Board of Directors of the audited annual financial statements, as well as all other financial statements and reports that may require review by the Audit Committee under the applicable laws or in respect of which the Board of Directors requests a review and any financial information pertaining thereto; including the press release, message to shareholders and management's discussion and analysis for annual report purposes, prior to publication;

VI. Obtain the annual certificate signed personally by the Vice-President, Finance and Administration and Chief Financial Officer and by the President and Chief Executive Officer pursuant to the National Instrument 52-109 *respecting certification of disclosure in issuers' annual and interim filings*;

VII. Review and recommend acceptance to the Board of Directors of the unaudited quarterly financial statements and any related financial information, including the press release, message to shareholders and management's discussion and analysis for quarterly report purposes;

VIII. Obtain the certification of the interim (quarterly) documents signed personally by the Vice-President, Finance and Administration and Chief Financial Officer and by the President and Chief Executive Officer pursuant to the National Instrument 52-109 *respecting certification of disclosure in issuers' annual and interim filings*;

IX. Receive and examine the reports of the external auditors following their year-end audit and their interim review, as the case may be, and ensure follow-up on the letter they subsequently address to management containing the latter's comments. Also ensure, with the assistance of management and the external auditors, that these financial statements fairly present the financial position of the Corporation according to GAAP and, starting November 1, 2011, according to IFRS. Furthermore, the Audit Committee evaluates the work of the external auditors as to quality, and not just acceptability, of the accounting principles and policies adopted by the Corporation, the consistency of the accounting estimates and the clarity of the financial information disclosed in the financial statements. The Audit Committee ensures that the procedures performed by the external auditors for the audit and the interim review, as the case may be, as well as the nature of the items communicated to the Audit Committee, are in accordance with GAAS;

X. Supervise the internal auditor and monitor the scope of the plan and review the work of the internal audit functions. The internal auditor has the responsibility, among others, to assess the internal controls put in place by management to:

- determine whether they are effective and efficient; and
- identify and disclose any weaknesses noted to the Audit Committee and the parties concerned;

XI. Oversee follow-up of the policy respecting the external communication of financial information and ensure that the quality, scope and communication process are in keeping with the said policy;

XII. Draft and ensure follow-up of a policy on complaint procedures for accounting and auditing matters for the Corporation and its subsidiaries and ensure compliance therewith;

XIII. Establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

XIV. Evaluate, from time to time, the competence and independence of the external auditors in the performance of their duties and recommend to the Board of Directors, if it is deemed appropriate, to call a shareholders' meeting in order to consider the removal of the external auditors;

XV. Obtain annual confirmation of the independence of the Corporation's external auditors, including the filing of any written confirmation required by the standards and by-laws;

XVI. Receive and review the quarterly report of the Vice-President, Finance and Chief Financial Officer and study, if applicable, the contingent liabilities of the Corporation and its subsidiaries, the acquisition and disposition of assets, the risk factors that could influence the financial results or financial structure of the Corporation, the redemption of shares and derivatives, and review the level of provisions recorded in the Corporation's accounts and assess their reasonableness;

XVII. Identify and evaluate, in collaboration with the Corporate Governance and Nominating Committee, the principal financial risk factors pertaining to the Corporation's business and approve the strategies and systems proposed to manage such risks, including, in particular, those related to the derivatives relating to fuel, foreign currency and interest and any other factor considered relevant. Furthermore, the Audit Committee shall be kept informed by management, either on request or periodically, regarding the management of the Corporation's risks related to the aviation industry;

XVIII. Review the status of capital expenditures;

XIX. Review the status of current and potential litigation and insurance coverage;

XX. Retain independent counsel and external advisors or consultants, whose compensation it sets, to assist it in its duties, when necessary;

XXI. Examine, with management and the auditor, the new financial or regulatory requirements that could affect the Corporation's financial reporting;

XXII. Ensure that management of the Corporation maintains effective internal control and risk management systems, see to the efficient operation of the internal control system and periodically receive from management and, as the case may be, from the internal auditor, confirmation as to:

- the efficiency of operations;
- the reliability of the financial information disclosed;
- compliance with laws and regulations;

XXIII. Review the loans, financings, granting of security, guarantees and other material financial commitments and ensure that the Corporation and its subsidiaries are in compliance with their obligations;

XXIV. Maintain structures and procedures in place to meet separately with the President and Chief Executive Officer, the Vice-President, Finance and Administration and Chief Financial Officer, and the internal auditor and the external auditors;

XXV. Review and approve the hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation;

XXVI. Approve the audit services, which may be provided by the external auditors within the framework of their independence and the restrictions imposed on non-audit services. “Audit services” means the professional services rendered by the external auditors for the audit and review of the issuer’s financial statements or services that are normally provided by the external auditors in connection with statutory and regulatory filings or engagements.

The external auditors may perform all other non-audit services, including taxation services, provided that the services offered are pre-approved by the Audit Committee[4].

Moreover, the Audit Committee shall oversee the audit engagement, as needed, and approve, where applicable, any change in the conditions and fees resulting from a change in the scope of the audit, the corporate structure, or any other element.

The non-audit services that are prohibited include, on the date hereof:

– bookkeeping or other services related to the accounting records or the financial statements;

– valuation services, opinions on the fairness of the price offered or reports on contributions in kind;

– internal audit outsourcing services;

– management functions;

– human resources services;

– expert services prohibited by regulatory authorities;

– design and implementation of a financial information system;

– legal services;

– actuarial services; and

– brokerage, investment counsel and investment agreement services;

XXVII. Review, with the Corporation’s external auditors, the findings resulting from their audit, if any, and report to the Board of Directors on the following points:

– the effectiveness of the registers and the accounting, internal control and information systems of the Corporation and the extent to which such registers are appropriately kept and such systems are uniformly applied;

– in collaboration with the Human Resources and Compensation Committee, the competence and efficiency of personnel assigned to finance, accounting and internal control of the activities of the Corporation; and

– examine any other issue or perform any other work that the Board of Directors may deem appropriate to entrust to the Audit Committee from time to time.

4 For this purpose, the Audit Committee has adopted a Policy Respecting the Pre-Approval of Audit Services and Non-Audit Services.

Annual Work Program

The Audit Committee has elaborated and adopted its annual work program, which appears in the Corporation's Corporate Governance Manual.

Additional Comments

The Audit Committee approves the disclosure policy and reviews it periodically. When a follow-up is required of the Audit Committee, the latter coordinates the appropriate solution and supervises disclosure to ensure the consistency of any information that is disseminated regarding the Corporation.

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