



TRANSAT A.T. INC.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED OCTOBER 31, 2015



DECEMBER 9, 2015

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In this Annual Information Form (“AIF”), the terms “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 expressed in Canadian dollars, except where otherwise noted. The information contained in this AIF is reported as of October 31, 2015, 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, American Affair, Amplitravel, Bennett Voyages, Canadian Adventures, Canadian Affair, Club Voyages, Euro Charter, Exitnow.ca, Jonview Canada, Lookéa, Look Voyages, Marlin Travel/Voyages Marlin, Nolitours, Transat Discoveries/Transat Découvertes, Tourgreece, Trafictours, Transat, Transat Holidays/Vacances Transat, Transat Holidays USA, TravelPlus, Tripcentral.ca, Turissimo, TMR Holidays/Vacances Tours Mont-Royal, TMR, Voyages en Liberté and Transat Travel/Voyages Transat. 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

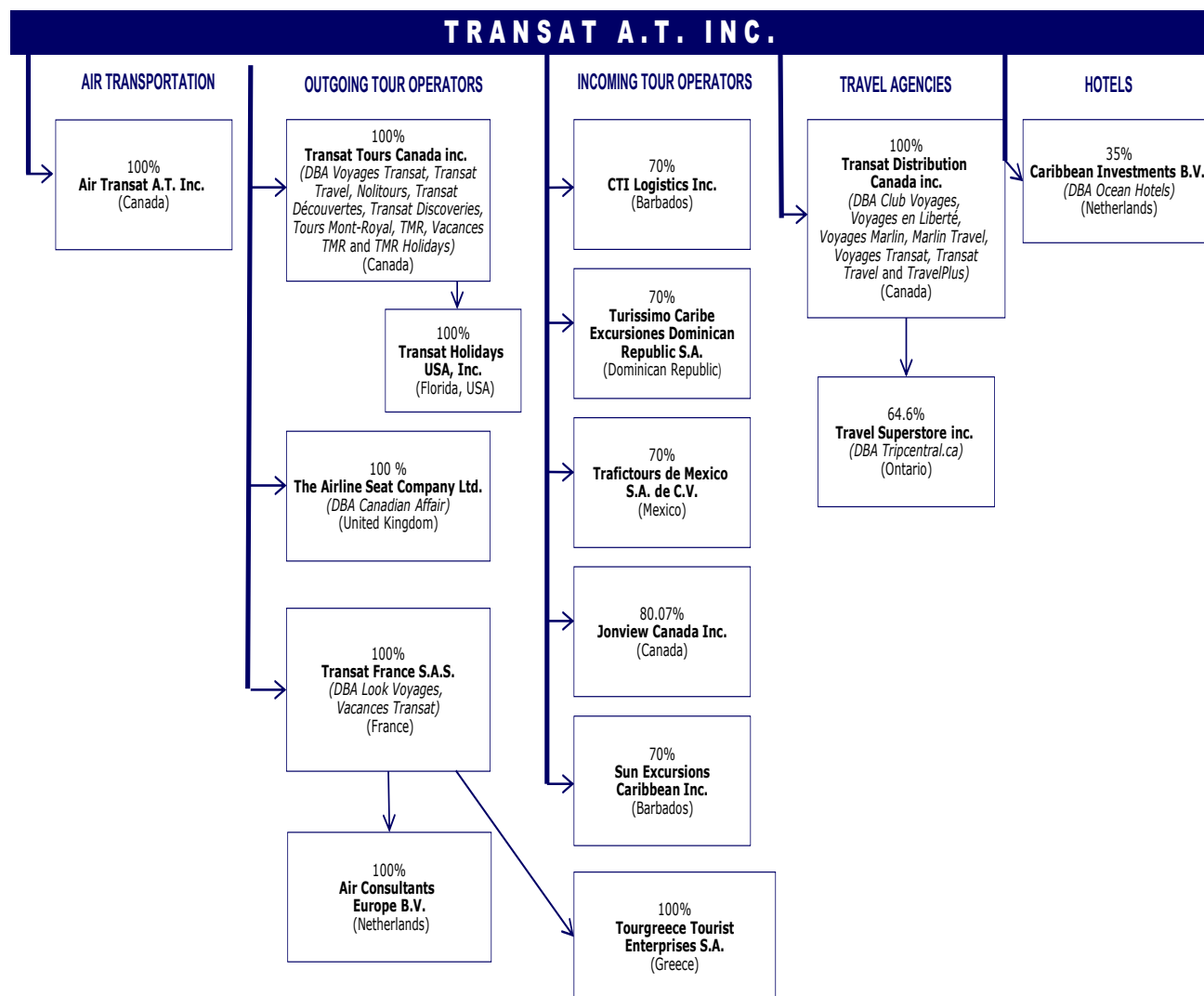
Transat A.T. Inc. (hereafter “**Transat**”) was incorporated under the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 (the “**Canada Business Corporations Act**”) by Certificate of Incorporation dated February 13, 1987. Since its incorporation, Transat has amended its Articles by way of Certificates 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 a maximum of fifteen and allow 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, of 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) Impose additional restrictions on the issue and transfer of our voting shares in order for us to retain our status as a “Canadian” corporation under 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 under 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, Montreal, 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 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 operating revenues.



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 or 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, in networks or online, are distributors serving as intermediaries between tour operators and consumers. Air carriers sell seats through travel agencies or directly to 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 consists in 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 purchased in Canada and abroad and reselling them primarily in Canada, France, 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 for a significant portion of its needs. Transat offers destination services to Canada, Mexico, the Dominican Republic and Greece. Transat holds an interest in a hotel business which owns, operates or manages properties in Mexico, Cuba 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 maximizing synergies from its vertical integration model in a targeted manner, according to tourism industry trends. In this respect, in recent years, the Corporation has considerably improved the effectiveness of its airline operations and launched a certain number of actions, including technological initiatives, to become more efficient and improve its performance as a distributor. The strategy also includes entry into new source markets and the launch of new destinations, targeting new markets for its traditional destinations and increasing its buying power for these routes. Alongside these initiatives, Transat intends to leverage targeted technology investments and efficiency gains from changes to its internal management structure and a cost reduction and unit margin improvement program to improve its operating income and maintain or grow market share in all its markets. Transat acknowledges the growing strategic importance of sustainable development in the holiday and air travel industries. Given this trend, Transat has undertaken to adopt avant-garde policies on corporate responsibility and sustainable tourism.

For fiscal 2016, Transat has set the following objectives:

- Implement an integrated distribution and brand strategy, including an enhanced online shopping experience, higher controlled sales, deployment of the Transat brand and finalization of the required technological projects.

- Increase capacity and improve the competitiveness of our sun destination offering, strengthen our presence and increase our capacity in the transatlantic market, and continue deploying the Lookéa Club offering.
- Reduce winter financial losses and maintain summer profitability, in particular by continuing our cost reduction and unit margin improvement program, with gains of \$30 million expected in 2016.
- Enter a new market via acquisition and optimize our hotel strategy, particularly through our interest in Ocean Hotels.
- Simplify the organizational structure and optimize the succession management plan.
- Obtain *Travelife Partner* status.

2.3 REVIEW OF 2015 OBJECTIVES AND ACHIEVEMENTS

The main objectives and achievements for fiscal 2015 were as follows:

Transat remains committed to a cost reduction and unit margin improvement program, under which it targeted savings of \$20 million in fiscal 2015, compared with fiscal 2014. In 2015, the Corporation aims to improve its winter results and maintain its summer profitability, in particular through improved efficiency.

The Corporation estimates the savings from the cost-reduction and unit-margin-improvement program at \$45 million for 2015 - more than double the original objective. The cumulative savings targeted under the program amount to more than \$100 million by 2017.

The key factors driving improvement are the insourcing of narrow-body aircraft and implementation of Air Transat's flexible fleet, under which varying numbers of narrow-body and wide-body aircraft operate depending on the season.

In 2015, the Corporation posted a modest increase in the margin on its North American operations in winter, which during that season are concentrated on Sun destination routes. The operating loss on that market was \$32.0 million, versus \$36.7 million in 2014. Owing to under-performance of Transat's France operations, due among other factors to events in North Africa, the operating loss related to European operations in winter was \$25.3 million, compared with one of \$9.9 million in 2014.

For the summer season, in spite of abundant supply and increased competition, which was direct in the case of several destinations, the Corporation posted an operating income of \$107.2 million, compared with \$93.5 million in 2014.

As a result, for the year, despite the under-performance in France, attributable to outside factors, and in spite of abundant supply and increased competition on all markets, Transat recorded in 2015 a slightly higher margin than in 2014.

Transat intends to develop new markets by launching new routes, entering new source markets, building out its existing source market offering and expanding its overall offering, including, where applicable, by marketing third-party products.

The Corporation has introduced two new Europe destinations, Prague in 2014 and Budapest in 2015, and announced that it will be adding Zagreb in 2016. A domestic feeder-flight program has also been introduced, which has considerably broadened the supply of transatlantic destinations out of certain Canadian cities (passengers change planes in either Montreal or Toronto).

Building on the successful launch of the Transat Travel banner as a Canadian distributor, Transat intends to improve its multichannel distribution strategy, and particularly its online presence, to extend its customer reach and enhance customer loyalty.

By the end of the fiscal year, Transat had implemented the Transat Travel brand in 25 travel agencies across Canada, and expects to complete transition in its owned agencies during 2016. The results achieved since the launch of this initiative, whether measured in terms of customer acquisition, overall sales growth, or growth in sales of Transat products, are very satisfactory. At the same time, the Corporation successfully completed a restructuring of its distribution network with an eye to improving its profitability.

In Canada, the Corporation made significant changes to its online marketing strategy. Its product offerings, regardless of brand, are all sold through the Transat.com website, among others. This new orientation, implemented following introduction of the Transat Travel brand in the retail network, is in logical continuation with the brand strategy developed in 2010. It will contribute to optimization of marketing efforts and budgets, among other things.

In fiscal 2015, Transat will begin structuring its sustainable-development project to secure a certification for its tour operator and travel agency businesses.

Transat is now firmly engaged in the certification process. The approach was structured during 2015, with implications including production of a gap analysis and development of an action plan. The Corporation plans to achieve Travelife Partner status in 2016, and full certification within the strategic plan period.

2.4 KEY PERFORMANCE DRIVERS

The following key performance drivers are essential to the successful implementation of our strategy and the achievement of our objectives.

Adjusted operating income	Obtain an adjusted operating income margin higher than 3% of revenues.
Market share	Consolidate or increase market share in all region in Canada and in Europe.
Revenue growth	Grow revenues by more than 3% excluding acquisitions.

2.5 ABILITY TO DELIVER ON OUR OBJECTIVES

Our ability to deliver on our 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 are composed of the following:

Cash	Our balances of cash and cash equivalents not held in trust or otherwise reserved totalled \$336.4 million as at October 31, 2015. Our continued focus on expense reductions and operating income growth should maintain these balances at healthy levels.
Credit facilities	We can also draw on credit facilities totalling approximately \$64.4 million.

Our non-financial resources include:

Brand	The Corporation has taken the necessary steps to foster a distinctive brand image and raise its profile, including its sustainable tourism approach.
Structure	Our vertically integrated structure enables us to ensure better quality control over our products and services and facilitates implementing programs to achieve gains in efficiency.
Human resources	In recent years, we have intensified our efforts to build a unified corporate culture based on a clear vision and shared values. As a result, our employees work together as a team and are committed to ensuring overall customer satisfaction and contributing to improving the Corporation's effectiveness. Moreover, we believe the Corporation is managed by a seasoned leadership team.
Supplier relations	We have exclusive access to certain hotels at sun destinations as well as over 25 years of privileged relationships with many hotels at these destinations and in Europe.

Transat has the resources to meet its 2016 objectives and to continue building on its long-term strategies.

2.6 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 implementation. Transat is also pursuing other projects already underway aimed at optimizing the management of airline assets and improving its product strategy. Further comments on the plan can be found under "Review of 2015 Objectives and Achievements" above.

2.7 THREE-YEAR HISTORY

You will find below highlights in Transat's development 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 2015 Annual Report available for consultation on SEDAR at sedar.com.

As at October 31, 2015, 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.

On June 13, 2012, since the Corporation no longer needed a \$157.0 million revolving credit facility for its operations, it requested a \$50.0 million reduction with an accordion clause, allowing us to increase credit up to \$100.0 million subject to the lenders' approval. On November 14, 2014, the Corporation extended its agreement for four years, maturing in March 2019 with a one-year extension clause on each anniversary date, subject to the lenders' approval. This credit is 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 ranking 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 rate, 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, 2015, all the financial ratios and criteria were met and the credit facility was undrawn.

With regard to our French operations, the Corporation also has access to undrawn lines of credit totalling €10.0 million (\$14.7 million).

The Corporation has an annually renewable revolving credit facility for issuing letters of credit which was increased to \$75.0 million over 2014 (instead of \$50.0 million previously) in respect of which the Corporation must pledge cash totalling 100% of the amount of the letters of credit as collateral security (instead of 105% previously). As at October 31, 2015, an amount of \$66.9 million had been used, including \$44.9 million to secure obligations related to the executive officer defined-benefit pension agreements. This irrevocable letter of credit is held by a third-party trust. It will be drawn in the case of: (i) default of payment by Transat under the retirement benefits plan, (ii) change of control (as this expression is defined hereunder), (iii) insolvency or bankruptcy, or (iv) upon Transat's failure to renew the said letter of credit. Pursuant to the terms of the trust agreement dated April 4, 2003, a "change of control" occurs when an event or series of events that are unsolicited by Transat triggers a change in the control of the Corporation. Amongst other events, the following events shall be considered to be a change in the control of the Corporation: (i) if a person, proceeding by way of a public offering in conformity with the provisions of the *Securities Act* (Québec), becomes the owner and beneficial owner, directly or indirectly, of a number of our securities which represents 20% or more of the voting rights for the election of our directors; (ii) if a person, through transactions on the stock market, by way of private sale or by any other manner, directly or indirectly acquires ownership and beneficial ownership of a number of our securities which represents 20% or more of the voting rights for the election of our directors; (iii) if individuals who constitute or any new director whose nomination by the Board of Directors or proposed nomination to the election of the Board of Directors by our shareholders was approved by a vote of at least three-quarters of the directors comprising the incumbent board as at May 11, 1999, or whose nomination or proposed election by our shareholders was approved in such a way subsequently, cease for any reason to constitute at least a majority of the members of the Board of Directors.

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 £14.8 million (\$29.9 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, 2015, we had issued letters of credit for €2.7 million (\$3.8 million).

Also, since the Corporation was no longer fully using the \$50.0 million guarantee facility with Export Development Canada, it requested a \$15.0 million reduction. Therefore, the Corporation now has a \$35.0 million facility until February 25, 2016, which is renewable annually. Under this agreement, the Corporation may issue collateral security contracts with a maximum three-year term. As at October 31, 2015, \$22.2 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 €17.6 million (\$25.4 million). As at October 31, 2015, an amount of €9.9 million (\$14.3 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 2019 (amendment signed in August 2015) with the possibility of extension for one successive additional year with the consent of both parties. 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 is processed through credit cards, less than 15% of its sales being 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 execution of an agreement, amended from time to time, with a second credit card processor in Canada, which is valid until March 2018 (amendment signed in March 2015) with the possibility of extension for one additional year with the consent of both parties. 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. As at October 31, 2015, the Corporation was in compliance with all the financial ratios and criteria that could be required under this agreement.

On May 23, 2013, through its airline subsidiary, for sales made throughout Europe on a global distribution platform, Transat also reached 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 Air Transat's name, depending on the region of the transaction. Under this agreement, Transat is subject to an obligation to maintain a certain level of unallocated cash and cash equivalents at the end of each quarter and financial ratios similar to those stipulated under the terms of Transat's banking credit agreements. A breach of these agreements by the Corporation could have adverse effects, including Transat's obligation to provide this new credit card processing provider with a letter of guarantee for a predetermined amount, calculated according to the dollar volume of the credit card transactions processed on a monthly basis by this provider. As at October 31, 2015, the Corporation was in compliance with all the criteria and financial ratios required under this agreement.

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

On May 1, 2014, through its subsidiary in the United Kingdom, Transat signed an agreement with a credit card processing provider in the United Kingdom, which is valid until May 2017, with the possibility of extension for one successive additional year with the consent of both parties. This credit card processing provider benefits from a letter of credit for a predetermined amount and a corporate guarantee by Transat limited to a predetermined amount.

On November 1, 2014, Transat, through its airline subsidiary for Web sales throughout Europe and North America, also reached an agreement with a credit card processing provider in the Netherlands, valid up to October 31, 2017, which may be terminated upon prior notice by each party. Credit card transactions processed 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.

As at October 31, 2011, the Corporation held ABCP for a nominal value of \$116.4 million, supported by synthetic and traditional securitized assets (MAV 2 Eligible and MAV 3 Traditional). From 2011 to 2013, the Corporation has received amounts totalling \$1.9 million in principal repayments on ABCP supported exclusively by traditional securitized assets (MAV 3 Traditional) and proceeds totalling \$84.8 million following the sale of the remaining ABCP with a nominal value of \$114.5 million. As at October 31, 2015, 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 was then 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 out of an initial value of \$154.5 million.

2.8 OUR OPERATIONS IN THE AMERICAS

2.8.1 *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, Nolitours and TMR Holidays, and integrates Air Transat's commercial activities. It should be noted that the brand platform was simplified in 2015. Transat Holidays became Transat, while the Transat Discoveries offering (previously known as Rêvatours) is now combined under the Discoveries Collection within the Transat guided tours offering.

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. for a cash consideration of \$5.8 million. At that time, TMR Holidays was a tour operator specializing in the sale to Canadian passengers of packages to Cuba, the Dominican Republic, Mexico and other sun destinations. Of the seats sold by this tour operator, approximately 180,000 were purchased from Air Transat or CanJet. With this acquisition, the Corporation extended its offering and services to customers in existing markets. Effective winter 2014, it was decided that TMR Holidays would concentrate on the Cuban market and become the Québec specialist in this market.

On November 1, 2014, TMR Holidays and TTC merged their operations. The corporation resulting from this merger is Transat Tours Canada.

2.8.2 *Air Transportation*

Transat's fleet strategy is driven by the need 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 a mixed fleet of Air Transat wide-body and narrow-body aircraft. The wide-body carriers are Airbus A310 and A330 aircraft, while the narrow-body aircraft are Boeing 737-800s. They replace the aircraft of the same type previously chartered by TTC from CanJet Airlines, a division of I.M.P Group Limited ("**CanJet**") under a five-year agreement that ended on April 30, 2014. They were added to the Air Transat fleet in summer 2014, pursuant to the July 24, 2013 announcement of the signing of a long-term lease (eight years) for four B737-800 aircraft. These 4 B737-800 aircraft began operations in summer 2014; since then, they have constituted the core of Air Transat's permanent fleet of narrow-body aircraft. These aircraft serve sun destinations in Mexico, the Caribbean and Florida.

As at October 31, 2015, the fleet operated by Air Transat is composed of 21 Long-haul wide-body aircraft, including 9 Airbus A310-300s and 12 Airbus A330s (including 8 Airbus A330-200s and 4 Airbus A330-300s), as well as 4 Boeing B737-800s. 7 Airbus A310-300s are owned by Air Transat and all other aircraft are subject to operating leases with aircraft lessors.

The addition of narrow-body aircraft to the Air Transat fleet is part of the Transat plan, announced in April 2013, to insource its activities for its sun destinations from Canada by means of B737 narrow-body carriers and to deploy a so-called “flexible fleet” that enables it to adjust the number of narrow- and wide-body jets at its disposal according to seasonal tourism market needs. In short, 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. Insourcing of narrow-body aircraft contributed \$25 million to Transat’s cost reduction initiatives for 2015.

As part of the agreement announced on July 24, 2013 regarding the addition of narrow-body aircraft to its fleet, Air Transat also negotiated with one of its aircraft lessors the renewal of the leases on 6 Airbus A330 aircraft through 2020 and 2021, including 3 A330-200s which were originally to be phased out of the fleet in 2013 and 2014 and 3 A330-300s, all with improved terms. These renewals enabled Air Transat to achieve its cost reduction objectives.

Finally, still within the context of its flexible fleet deployment strategy, Transat had announced, on September 13, 2013 the signing of an agreement for the seasonal leasing of Boeing B737-800 aircraft supplied by Transavia France, the Air France/KLM Group’s French leisure airline. The five-year agreement, which began in winter 2015 with the leasing of 4 such aircraft, provides for the seasonal leased of an additional aircraft each year, up to a maximum of eight such aircraft for winter 2019. In addition, in November 2014, Air Transat executed winter 2015 seasonal leasing agreements for 2 B737-700 aircraft with the French airline Europe Airpost and 2 B737-800 aircraft with the Czech airline Travel Service for winter 2015. These aircraft were deployed by Air Transat to sun destinations in Mexico and the Caribbean during winter 2015. The seasonal leasing agreements with Europe Airpost (which became ASL Airlines France SA) were renewed for winters 2016 and 2017. In July 2015, Air Transat also signed a four-year agreement with Travel Service, providing for the lease of 4 B737-800 aircraft supplied by Travel Service for each of winters 2016, 2017, 2018 and 2019, which can be operated by Air Transat (“dry lease”) or operated by Travel Service on Air Transat’s account (“wet lease”), according to the formula that suits Air Transat. The agreement also provides for leasing of an A330-200 aircraft by Air Transat to Travel Service for each of winters 2017, 2018 and 2019. Air Transat continues its business relationship with the French company XL Airways France, by leasing one of its A330-300 aircraft to that company, which Air Transat will operate on XL Airways France’s behalf during winter 2016. Air Transat reacjed a similar agreement with Air Caraïbes, also for winter 2016.

In order to ensure a smooth transition with CanJet and allow Air Transat to proceed with training of one hundred pilots for the purpose of obtaining double qualification to operate wide-body and narrow-body aircraft, it was agreed on November 7, 2013, to enter into a two-year agreement, which became effective on May 1, 2014, 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 was to end on April 30, 2016, was replaced by a new agreement between the parties in summer 2015. Thus, Air Transat leases from CanJet a B737-800 aircraft, which has been operated by Air Transat since September 1, 2015 to be operated until April 25, 2016. The new agreement provides for leasing from CanJet of three other aircraft of the same type, which Air Transat will operate from December 2015 to the end of winter 2016.

All of the above agreements are in line with Transat’s so-called “flexible 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, giving it greater flexibility, and significantly improving its cost structure.

On the customer experience front, Transat continued with its program to redesign and refurbish its A330 cabin interiors aimed at providing an enhanced travel experience for its customers. As at October 31, 2015, all Airbus A330 aircraft have been retrofitted with new seats, lavatories and mood-lighting as well as a new in-seat in-flight entertainment system. The Air Transat A330-200s benefit from a 345-seat configuration, including 12 seats in Club class. During summer 2015, three of Air Transat’s four A330-300s were converted from a 346-seat configuration to a new denser configuration of 375 seats, including 12 seats in Club class. These aircraft are now deployed on the high-frequency routes Air Transat operates between Montreal and Paris and between Toronto and Gatwick and will allow improvement of profit margins on these routes. As for the A310s, the nine aircraft of this type, which are configured to

249 seats, are now equipped with 12 seats in Club class, mood-lighting throughout the entire cabin, and refurbished seat covers and lavatories in Economy class.

We are also continuing our efforts to optimize capacity through more efficient flight scheduling, increased ancillary revenues and leasing our wide-body jets to third parties in the winter and low seasons.

2.8.3 Incoming Tour Operators

In 2007, Transat consolidated its incoming tour operator 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 providing more efficient operational and financial controls. The minority shareholder of the Trafictours Canada subsidiary could require the Corporation to purchase the Trafictours Canada shares it holds at a price equal to a predetermined formula, which can be adjusted according to the circumstances, and payable in cash. The book value of the non-controlling interest accounts for the fair value of this option.

Transat also holds 80.1% of the incoming tour operator Jonview in Canada, together with the other shareholder, Fonds de Solidarité FTQ. The latter, which is also a shareholder of the Corporation, could require the Corporation to purchase the shares it holds in Jonview Canada at a price equal to their fair market value. At the Corporation's option, the price paid may be settled in cash or by issuing shares. The book value of the non-controlling interest accounts for the fair value of this option.

2.8.4 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. We are the largest retail distributor of holiday travel products in Canada, with 466 outlets, of which 61 are wholly owned, 248 are franchised and 157 are affiliated and do business under the Club Voyages, Marlin Travel/Voyages Marlin, Voyages en Liberté, Transat Travel/Voyages Transat, TravelPlus and MTP Lite banners or affiliation programs, and 27 do business under the Tripcentral.ca banner.

In June 2013, we launched a new travel agency concept under the Transat Travel banner. To date, we have converted 29 of our wholly-owned agencies and we will proceed with the conversion of 30 of our other wholly-owned agencies under this banner during 2016, across Canada. The Corporation also intends to operate the Transat Travel banner as a franchise in the upcoming years.

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.

In the e-commerce field, our subsidiary Travel Superstore Inc. ("**Tripcentral**") operates under two brands: (i) exitnow.ca, one of the first websites to specialize in the sale of packages and charter flights in Canada, which currently focuses on last-minute discounts, and (ii) tripcentral.ca, a website making travel agent expertise available to the Web community. Transat Distribution Canada, like Tripcentral, has concentrated its activities on retail sales, offering the products of various suppliers on the marlintravel.ca, clubvoyages.com, travelplus.ca and transattravel.com websites. Transat Tours Canada operates the airtransat.ca, transatholidays.com and nolitours.com websites, which are focused on the distribution of their own products.

2.9 OUR OPERATIONS IN EUROPE

Transat France, S.A. held L'Européenne de Tourisme S.A.R.L. (doing business as Amplitravel), Vacances Transat (France), Look Voyages, Euro Charter, Air Consultants Europe GmbH and Tourgreece Tourist Enterprises S.A. Transat Europe Limited holds Transat France, S.A.S. 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 benefitted from the flexibility and ease that a common vision creates among our business units. In October 2010, we relocated the Vacances Transat (France) employees of Ivry, so that all Transat France employees are now in a single location.

In order to continue the consolidation of activities and teams, Transat France absorbed all of its subsidiaries in France, namely Look Voyages, Vacances Transat (France), Euro Charter and l'Européenne de Tourisme, under the terms of four mergers; their absorption became final on November 8, 2013, retroactive to November 1, 2013. These transactions resulted in the automatic transfer of the operations and personnel of Vacances Transat (France), Look Voyages, Euro Charter and l'Européenne du Tourisme to Transat France, effective November 1, 2013, and simplified and rationalized 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, 2014 and 2015 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 five-year term.

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. 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 for a three-year term. Transat also renewed its 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. Transat France also has a retail agreement for distribution of its products by all 183 agencies of the Leclerc Voyages network, which benefit from the attraction of E. Leclerc shopping centres.

In June 2012, Look Voyages expanded the distribution of tourism products on its website look-voyages.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 2015, the expected volume of sales of these third-party products should be around €15 million.

In 2015, Transat France pursued the rational development of its travel agency network operated under the "Look Voyages" banner, by targeting agglomerations with populations of over 50,000, with the aim of linking its distributor status to its outgoing tour operator status and developing the brand's national visibility. It therefore relocated its La Roche sur Yon agency to premises more suitable to its needs and offering better visibility. It also opened three new agencies in Clermont Ferrand, Dijon and Tours. It closed its Ecomoy and Colmar agencies, assigning the rights to the leases, and assigned its Cannes agency, bringing the number of agencies held by Transat France to 43. Transat France also has a partnership with 17 independent "banner agencies", operating under the Look Voyages banner.

In 2015, to support its network's development, Transat France, with the 4uatre design agency, also designed a new layout concept for its corporate agencies and banner agencies. The guideline for this concept is that customers feel "at home" in the agencies, with a salon at the centre of the point of sale furnished with comfortable sofas and armchairs in the brand's colours, and a bookcase to present travel-related brochures and objects. The decor is meant to be contemporary, intimate and modern, with a connected customer path: the advisors are equipped with iPad tablets to present the brand's flagship products and flat screens show immersive videos on the products and destinations offered by the agency. The points of sale that join the network will be laid out systematically according to this concept. The other agencies will be renovated gradually, according to a five-year plan.

The minority shareholders of the subsidiary Travel Superstore inc. could require, between 2015 and 2018, that the Corporation purchase the Travel Superstore inc. shares they hold, at a price equal to their fair market value, and payable in cash. The book value of the non-controlling interest accounts for the fair value of this option.

2.10 OUR HOTEL OPERATIONS

Ocean currently holds and manages three hotels with a total of 1,600 rooms (2 in Cancun and 1 in Punta Cana). It also manages two hotels in Cuba, with a total of 700 rooms (in Varadero and Havana) and owns land in Punta Cana for future expansion. Over the next two years, it is anticipated that Ocean will manage two other hotels in Cuba (in December 2015) and another in Cancun (in December 2016), in addition to proceeding with the construction of a hotel on the land owned in Punta Cana. Overall, it is projected that 2,700 rooms would be held and managed, for a total of 4,900 rooms for the end of 2017. Expansion projects in Jamaica are also being considered.

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 \$3,566.4 million in revenues for fiscal 2015, compared to \$3,752.2 million for fiscal 2014. North American operations accounted for \$2,840.0 million of our revenues for fiscal 2015 and \$2,921.8 million for fiscal 2014. European operations amounted to \$726.4 million in revenues for fiscal 2015 and \$830.4 million for fiscal 2014.

In May 2011, Transat introduced a new identity platform and adopted new colours, based on the concept of welcome and hospitality, as being the very essence of the business of an integrated tour operator. As part of the implementation of Transat's new brand platform, the 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 brands Transat Holidays, Nolitours, Transat Discoveries and TMR Holidays, as well as through its European subsidiaries Transat France S.A.S. (via its Vacances Transat (France) and Look Voyages divisions), 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

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

Most of our sun destinations are available with departures from 21 Canadian gateways, namely: Calgary, Edmonton, Fredericton, Halifax, Hamilton, Kelowna, London, Moncton, Montreal, Ottawa, Québec City, Regina, Rouyn-Noranda, Saskatoon, St. John's, Thunder Bay, Toronto, Vancouver, Victoria, Windsor and Winnipeg.

Transat Tours Canada's main brands represent distinct product ranges and tailored distribution strategies. Transat markets all sun destinations according to a package formula, but focuses mainly on more exclusive hotel complexes of a superior category to those marketed by Nolitours. Nolitours sells a selection of affordable all-inclusive packages to sun destinations, while TMR Holidays/Vacances Tours Mont-Royal concentrates on all-inclusive packages departing from the province of Québec to Cuba. These products are available through travel agency networks across Canada and on-line.

Although Transat and Nolitours still market three key destinations – Mexico, Cuba and the Dominican Republic, Transat offers vacation options to 36 sun destinations, including a multitude of islands in the West Indies, such as Jamaica, Saint Lucia, Martinique, Guadeloupe and Curaçao, destinations in Central and South America with a diversified offering in Colombia, Costa Rica and Panama, as well as in Fort Lauderdale and Orlando, Florida. Nolitours offers all-inclusive packages to 21 sun destinations, while TMR Holidays/Vacances Tours Mont-Royal concentrates on Cuba with departures from Québec.

For travel to Europe, Transat 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) and train tickets. For destinations in France, Transat sells flights to Paris, Lyon, Marseille, Bordeaux, Nantes, Nice and Toulouse. As for destinations in the United Kingdom and Ireland, it sells flights to London (Gatwick), Birmingham, Manchester, Glasgow and Dublin. Transat also sells flights to Brussels, Barcelona, Malaga, Madrid, Lisbon, Porto, Mulhouse/Basel (Switzerland), Lamezia, Rome, Venice, Amsterdam, Athens, Budapest and Prague. 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 sun and European destinations, Transat offers the finest cruise itineraries from the world's leading cruise lines to the Caribbean, Alaska and to Europe, as well as guided tours mainly in Europe.

We served approximately 1,510,000 travellers through Transat, Nolitours and TMR Holidays in fiscal 2015, compared to 1,715,000 in fiscal 2014.

Transat Discoveries' products are offered through Transat Tours Canada. Transat Discoveries' branded products are premium-quality guided tours in more than 46 countries in Asia (Vietnam, India, Rajasthan, Sri Lanka, Thailand, Cambodia, Laos, Japan, Myanmar, Nepal), Eastern Europe, Africa (Tunisia, Morocco, Namibia, Kenya, Tanzania, South Africa), Middle East (Israel, Jordan, Qatar and United Arab Emirates) Europe (France, Bulgaria, Romania, Turkey, Croatia, Montenegro, Spain, Portugal, Austria, Hungary, Iceland, Finland, Norway, Sweden, Slovakia, Slovenia, Poland, Czech Republic, Italy and Russia) and Latin America (Mexico, Guatemala, Peru, Ecuador, Argentina, Brazil and Chile), with specialized offerings for smaller market segments. Transat Discoveries also offers sea cruises with Ponant and river cruises with CroisiEurope and Uniworld. Transat Discoveries has a commercial exclusivity agreement with Trafalgar for the sale in Québec of guided tours in France. Through Transat Discoveries, we served approximately 10,000 travellers in fiscal 2014, compared to 9,800 in fiscal 2013. In October 2011, Révatours, known in Québec 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.

3.1.2 Products of Transat France

Transat France pursues its activities by offering products under the Vacances Transat and Look Voyages brands.

3.1.2.1 Product developed and marketed under the Vacances Transat (France) brand

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, Africa and the Indian Ocean islands. 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 2015, VTF also launched a new product offering on the Indian Ocean through a new Eden des Îles brochure, which offers Mauritius, Réunion and Seychelles. This product offering is based on the Travelbox Wide Search engine, which allows building of dynamic packages and will eventually be deployed for all product offerings.

In all, VTF provided travel to more than 115,000 people in 2015 (102,000 people excluding Air Transat flight-only sales, transferred to Canada in April 2015), compared to 173,000 in 2014 (105,000 people excluding Air Transat flight-only sales).

3.1.2.2 Products developed and marketed under the Look Voyages brand

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 for the 2015/2016 season will amount to 44, located in the following 16 countries: Cuba, Mauritius, Morocco, Mexico, Dominican Republic, Senegal, Tunisia, Bulgaria, Croatia, Greece, Italy, French West Indies, Turkey, Spain, Cape Verde, Portugal, Panama and Thailand.

Look Voyages served approximately 265,000 travellers in fiscal 2015, compared to 278,000 in fiscal 2014.

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.

3.1.3 Products of The Airline Seat Company Limited

The Airline Seat Company Limited, which sells its products under the Canadian Affair and Air Transat brands, has been wholly owned by Transat since August 1, 2006.

Canadian Affair is the UK's largest tour operator to Canada and their business is focused around Air Transat's flight schedule and offers tailor-made holidays to Canada all year round.

Air Transat offers flights in summer (May –October) to four destinations in Canada from four UK departure airports, in addition to offering flights from Dublin to Toronto; and in winter (November–April) flights to two destinations in Canada from three UK airports.

Canadian Affair provides booking facilities for the airline brand Air Transat for UK and Irish markets on a multi-channel distribution basis via their B2C call centres in London and Glasgow and through the GDS systems. With strong partnerships with group tour allocation partners (independent agents, online travel agencies and chains), their strategic plan is to develop sales through B2B channels to provide a healthy mix of sales channels. The UK–Air Transat sales mix has delivered 70% direct B2C and 30% B2B. Call centres in the UK also service Air Transat B2C call centres for the Spanish, Portuguese, Italian and Greek markets.

The Airline Seat Company served approximately 130,000 travellers in fiscal 2015, compared to approximately 140,000 in fiscal 2014.

Canadian Affair's tour operator 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.

Canadian Affair began offering US holidays as part of a wider holiday portfolio for summer 2015. Since November 2015, the US is sold under Transat's new brand "American Affair". A separate website, brochure and product range support the strategic plan to develop this business over the next 3 to 5 years.

Under its strategic plan, Air Transat is also actively working to add additional frequency from London Gatwick in order to enable daily flights to Toronto and Vancouver, and is also developing routes serving Montreal by adding more frequencies from London (Gatwick), a new route from Glasgow and additional seats to Dublin starting in summer 2016.

3.1.4 Products of Jonview Canada Inc.

Jonview Canada Inc. ("**Jonview Canada**"), which develops packages and resells products individually across Canada under the brand names Jonview Canada and Canadian Adventures, is the leading incoming tour operator in Canada, with offices in Montreal and Toronto. Through its representatives, Jonview Canada also has sales offices in France and the United Kingdom.

It offers a full range of Canadian travel 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. Its range of products includes guided bus tours, group travel packages, programs for individual travellers with a predetermined itinerary and accommodation reserved for each stage, city and activity packages, ski vacations, hotel accommodations, local transfers and soft adventure tourism. Jonview Canada 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, designed to increase the aspirations of international travellers

to visit Canada. All of these products were offered for the 2014-2015 season and will again be offered for the 2015-2016 season.

Jonview Canada brought 290,000 travellers to Canada in fiscal 2015, compared to 256,000 in fiscal 2014.

3.1.5 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 Greek 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, the Far East, South Africa 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 101,500 travellers in fiscal 2015, compared to 90,000 travellers in fiscal 2014.

3.2 RISK MANAGEMENT AND INSURANCE

3.2.1 Risk Management and Insurance for Tour Operators and Travel Agencies

We hold and maintain in full force insurance policies 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 travellers or third parties. Furthermore, in collaboration with an insurer, we established a voluntary professional liability insurance (errors and omissions) plan for our franchisees.

Pursuant to its mandate, the Risk Management and Corporate Governance Committee reviews on a continuous basis a number of emergency measures and measures related to the Corporation's operations. In December 2014, the Committee identified a list of 62 risks and classified them according to their impact, while establishing risk assessment criteria. For example, the risks are those related to competition, sales on our Internet platforms, management of information systems, tour operators, airline and aircraft activities, third-party hotels where Transat books rooms for travellers, exchange rate and fuel price hedging, insurance coverage and the financial approval processes. Risk management is shared among the Corporation's executive officers and directors to eliminate compartmentalized risk management. Since its deployment, this risk management has been part of the corporate culture, allowing further support for our strategic plan and our operational priorities.

3.2.2 Risk Management and Aviation Insurance

We hold and maintain in full force insurance policies for 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, 2015, but there is no reason to believe that the Government will not renew its indemnity.

Through our Audit Committee and our Risk Management and Corporate Governance Committee, our Board of Directors identifies and evaluates at least once annually 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 Risk Management and Corporate Governance Committee in particular oversees the policies and procedures with respect to flight safety. As part of its responsibilities, it yearly reviews the emergency plan implemented by Air Transat on a yearly basis. 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 AIR TRANSPORTATION

In fiscal 2015, our airline Air Transat offered flights out of its principal bases in Montreal, Toronto and Vancouver, as well as some flights out of Québec City, Rouyn-Noranda, London, Thunder Bay, Hamilton, Calgary, Edmonton, Halifax, Moncton, Ottawa, Regina, Saskatoon, Kelowna, Victoria and Winnipeg. Air Transat holds licenses issued by the Canadian Transportation Agency 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, the French West Indies, the Dominican Republic and Haiti.

During the 2015 winter season, we served about 40 destinations in 19 countries, flying primarily to South or other sun destinations. In May 2015, Transat announced it would offer more than 35 sun destinations with departures from 19 Canadian airports in winter 2016, while adding capacity to the South and to popular European destinations during the winter period. The introduction of narrow-body aircraft to Air Transat's permanent fleet has allowed Transat to modulate its offer according to the demand of each Canadian airport served by Air Transat. Thus, Air Transat will increase its offering to Cuba by adding flights to Santa Clara with departures from Winnipeg, Calgary, Vancouver, Saskatoon and Edmonton. In Québec, three new routes will be added to the South program, one to La Romana in the Dominican Republic departing from Québec City, and the others to Havana, Cuba and Rio Hato, Panama departing from Montreal. Travellers departing from Toronto will also benefit from a new flight to Rio Hato and the addition of a link to La Romana. Air Transat will also add a flight to Cayo Coco, Cuba from Halifax and a new link to Orlando, Florida departing from St. John's. Finally, three new destinations in Mexico will be added to the program in Western Canada, namely Ixtapa and Cozumel with departures from Edmonton and Calgary, and Huatulco from Regina.

In the summer, we shift most of our capacity to Europe, while maintaining some flights to South destinations. In fiscal 2015, Air Transat offered direct flights between Canada and some 29 European destinations, including Prague for the second consecutive summer and Budapest, constituting the most diversified offering in Canada. In September 2015, Transat announced the addition of two new destinations to its European portfolio for summer 2016, Zagreb, Croatia from Montreal and Toronto, and Pisa, Italy, which it will offer by direct flight from Toronto but which will be accessible from Montreal by a connecting flight.

We served approximately 4,180,000 passengers on Air Transat in fiscal 2015 compared to 3,580,000 passengers in fiscal 2014.

Our tour operators market air services for passenger transportation on a seasonal basis. In the winter season, most of the seats sold are to South 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.

In summer 2015, Air Transat increased the number of seats and the frequency of its flights to many European cities, such as Paris, London, Barcelona, Athens, Lisbon, Marseille, Nantes, Rome and Venice. Offering over 50 different links between Canada and Europe, Air Transat is maintaining its leading position in vacation travel and is the only airline to offer direct flights to Eastern Europe from Canada.

Furthermore, Air Transat retains its title as the leading Canadian air carrier offering direct flights to France. In addition to its flights to provincial cities and its double daily links to Paris from Montreal and Toronto, 14 flights per week were added from Montreal and 6 flights per week from Toronto to Paris. Air Transat also remains the only airline offering direct flights to Paris from Québec City, Calgary and Vancouver. In summer 2015, Air Transat also increased the frequency of its flights to London from Toronto, offering up to five flights per week.

In the rest of Canada, Air Transat has increased the frequency of its flights to London and will offer 10 departures per week from Toronto, 2 from Montreal and Halifax, 6 from Vancouver and 3 from Calgary. Links were also added to Athens and Barcelona from Montreal and Toronto and to Lisbon from Montreal.

Since the end of summer 2014, Air Transat no longer serves Germany and Turkey from Western Canada. Although Air Transat no longer offers a link between Montreal and Istanbul, Transat continues to offer the destination through tours offered under the Transat and Transat Discoveries brands.

As well as offering new destinations such as Zagreb, in summer 2016 Transat will also increase the frequency and capacity of several routes served by Air Transat, particularly to Lyon (5 flights per week), Lisbon (4 flights per week), London and Toulouse (3 flights per week) departing from Montreal; to London (11 flights per week), Barcelona (4 flights per week) and Porto (3 flights per week) departing from Toronto; and to London (7 flights per week) departing from Vancouver. Transat will also extend its connecting flight program to pursue the development of the transatlantic market and offer travellers more choices and flexibility. Finally, in May 2015, Transat announced it will extend its winter offering to Europe, not only through its program of direct flights to Paris and London, but also through a very interesting offering to the Costa del Sol, in Spain, and to Lisbon and Faro, in Portugal.

3.3.1 Maintenance, Inspections, Safety and Other Measures

Air Transat continues to be committed to continuous improvement of processes involving all aspects of its 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 a series of measures based on principles of safety and prevention to which we completely support. These measures include, amongst others, a Safety Management System, which is a comprehensive program involving training, reporting of safety-related information from all areas of the company as well as extensive auditing and data analysis. Air Transat's General Manager was appointed Chief Safety Officer ("CSO") responsible for the Air Transat Safety Management System, while the Senior Director, Safety, Quality and Security is responsible for the administration and day-to-day supervision of the Safety Management System on behalf of the CSO.

Air Transat was 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 certification 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 became mandatory for IATA member companies in 2015. The IOSA certification obtained under the Enhanced IOSA methodology, which Air Transat obtained in 2013 and successfully renewed in 2015, 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 also carry an inventory of spare parts for our Airbus A330 and A310 and our Boeing B737 aircraft.

Major 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.

3.3.2 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 in this regard provides for the conclusion of derivatives to cover a portion of our fuel requirements. As at October 31, 2015, fuel-purchasing derivatives products contracts covered 36% of the estimated fuel requirements for fiscal 2016, compared to 42% for fiscal 2015 and 41% for fiscal 2014.

We negotiate with national and international oil companies to ensure that our aircraft are supplied with fuel at all airports in which 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.

3.3.3 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 Montreal, 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 five-year ground-handling agreement entered into in connection with the transaction, but under the auspices of the Swissport Group, which proceeded in December 2014 to acquire the Servisair group of companies from Derichebourg S.A..

3.4 OUR EMPLOYEES

As at October 31, 2015, Transat and its subsidiaries had a total of 5,500 active employees and the average number of employees over the fiscal year 2015 was approximately 5,850.

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 relating to the annual and special meeting of shareholders to be held on March 10, 2016 (or to a more recently filed management proxy circular, as the case may be), which will be available for consultation on SEDAR at 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. Negotiations are in progress for renewal of the collective agreements of the flight crew members and flight attendants.

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
Flight Dispatchers	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 or 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, from online travel agencies (OTAs) and from hoteliers who are selling directly to consumers. The two basic trends in tourism, strong growth of online direct sales and disintermediation of transactions, now place the customer at the centre of the purchasing process thereby allowing the customer to deal directly with suppliers (hoteliers, carriers, incoming tour operators), travel agents and OTAs, even through social media. This means that competition is more extensive than before and a strong presence in the different distribution channels is becoming a key factor.

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. In terms of 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. OTAs 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 sun 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, Nolitours and TMR Holidays brands, Transat Tours Canada is a major Canadian tour operator, but competes with other tour operators for sun destinations.

We have succeeded in establishing a significant market share in the European travel segment during the summer season, mainly to France, the United Kingdom, Italy and Spain but are in competition with the regular airlines.

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 and Vacances Transat (France)).

The demand for long-haul flights (mainly to sun destinations) during the winter is down about 10% for all Caribbean destinations. On medium-haul flights, the decline is steeper as a result of the calls for vigilance for all Muslim countries, due to the risk of terrorism (particularly in Tunisia, Morocco, Turkey and Egypt). The demand for Cuba is still growing, supported by the affluence of French tourists. This situation allows Transat France, French market leader in this zone, to maintain consequential revenue for its winter activities despite the difficulties in the African zone.

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. The market is very competitive on each destination, with many generalist tour operators and a host of specialized players.

As a result of the general economic slowdown and of the social/political problems in Tunisia, Egypt and Libya, TUI announced the proposed merger of the operations of Marmara and Nouvelles Frontières in 2012. Staff reduction measures were 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. In the specific case of FRAM, the company was placed in receivership on October 30, 2015. The Commercial Court of Toulouse is examining the different takeover bids.

As for Transat, we are firmly established in France, where our tour operator activities rely on Vacances Transat (France) and Look Voyages. In 2015, Transat France ranked third amongst tour operators in France, after Club Med and TUI.

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. As a result, Vacances Transat (France) is one of the leaders in France for travel to the Dominican Republic, Cuba and Mexico.

In November 2014, Vacances Transat France deployed a new technology platform, the TravelBox, to offer more reactivity and flexibility, both for travel agents and for direct customers. The investment is approximately €12 million to date, fully supported by Transat France. Once the tool was stabilized, Vacances Transat decided to stop limiting its use to the tool's first functionality, the "package builder" used for the "turnkey" packaged product, but since September 2015, to use the "wide search" functionality, which allows dynamic package building. It offers the agencies and their customers great flexibility in choosing air and hotel services, with the possibility of one-click upselling, real-time display of availability and prices, integrating promotions and special packages and even showing the commission as the package is built. This functionality, for the time being, is used for only a limited part of Vacances Transat's production, but ultimately must be extended.

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 sun 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. 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 now also the case for long-haul destinations, which are served by an ever growing number of carriers and price competitiveness has been increasing in the last few years. Canadian Affair as a tour operator 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 canadianaffair.com.

The airline's websites airtransat.co.uk and airtransat.ie have been promoted with greater prominence in the UK and Ireland over the past year and as a result, sales through these channels is now equal with flight only sales on canadianaffair.com. British and Irish consumers are very tuned into checking airline websites as they believe this is where they will find the most competitive prices. In 2015, Canadian Affair was awarded Best Tour Operator to Canada at the 2015 British Travel Awards.

Online sales continue to grow in the UK each year, as technology advancements with apps and responsive websites become the industry norm. Online sales account for 70% UK total flight sales.

Selling to the travel trade is conducted under the Air Transat brand. The travel trade can book via GDS and our group allocations partners can also make bookings via the call centres.

Mainstream tour operator competitors all have a dedicated Canadian 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 focus less on sales to Canada with the majority of their sales being to traditional sun destinations in Europe.

Airline competition has increased significantly in the past year, with a competitor offering daily flights to Toronto from Dublin (summer only), another taking over Dublin-Toronto flights on a year round basis and another operating transatlantic flights from St. John's to Dublin and Halifax to Glasgow on a daily basis May-October. A competitor also operates from Edinburgh and Manchester and will add on Glasgow as of June 2016. In addition, a competitor has announced that it will operate daily flights from Toronto to London Gatwick from May 2016 and from Dublin to Vancouver from June 2016, along with another competitor announcing flights from Vancouver, Calgary, Edmonton, Winnipeg, Toronto St. John's from May 2016. This will add almost 200,000 seats into the UK-Canada market in 2016. Some competitors have been very aggressive with their pricing strategies and their active "sales" have been more frequent than before.

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 products 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 4,500 travel agencies in France. We estimate the number of agencies to be at approximately 5,000 in Canada and approximately 5,000 in the UK. 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 Transat Travel/Voyages Transat, Club Voyages, Voyages en Liberté, Marlin Travel/Voyages

Marlin, TravelPlus and MTP Lite banners or affiliated programs (which constitute 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 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 acquisitions or the opening of new agencies.

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 online/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. On the look-voyages.fr website, our customers find products under the Look Voyages and Vacances Transat brands, as well as products offered by other third-party tour operators, which complement our own production.

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 portions (car rental cars, guided 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 it exceeds the 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 which primarily operate scheduled flights at major hubs 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; (ii) low-cost carriers operating short to medium-haul segments 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 carriers 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, ACE, Amplitravel, Bennett Voyages, Canadian Adventures, Canadian Affair, Club Voyages, Euro Charter, Exitnow.ca, Jonview Canada, Lookéa, Look Voyages, Marlin Travel/Voyages Marlin, Nolitours, Transat Discoveries/Transat Découvertes, Tourgreece, Trafictours, Transat, Transat Holidays/Vacances Transat, Transat Holidays USA, TravelPlus, Tripcentral.ca, Turissimo, TMR Holidays/ Vacances Tours Mont-Royal, TMR, Voyages en Liberté and Transat Travel/Voyages Transat, as well as other trademarks, trade names, designs and domain names associated to the aforementioned trademarks.

Some of these trademarks, such as Air Transat, Nolitours, Transat, Transat Holidays/Vacances Transat, Transat Discoveries/Transat Découvertes, Transat Holidays USA, Club Voyages, Transat Travel/Voyages Transat, TravelPlus and Marlin Travel/Voyages Marlin, 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 market globalization. Although a number of smaller tour operators remain, four major tour operators 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.

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 to perform their operations and must deposit into a trust account monies received from customers for travel services purchased. The law restricts use of these funds. All three provinces have established compensation funds benefitting customers to protect 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 include compensation funds and advertised price for travel services.

3.8.1.1.1 Compensation Funds

Québec is the only province where the Compensation Fund is made up of customers’ contributions. On April 1, 2012, the rate of contribution to the Compensation Fund for Customers of Travel Agents (“Compensation Fund”) was reduced from 0.35% to 0.20% of the total cost of the travel services purchased. On April 1, 2014, the rate of contribution to the Compensation Fund was reduced from 0.20% to 0.10% of the total cost of travel services purchased. Customers are able to claim directly on the Compensation Fund in the event of an end supplier failure that is not attributable to the Travel Agent. The total compensation 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 travellers’ financial protection through the Ontario Travel Industry 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 compensation fund is made up of Travel Agent contributions. The maximum amount that may be paid from the Travel Assurance 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 for all claims relating to a single event. It remains to be seen how this cap will work out with the contribution holiday, under the legislation applicable to licensees when the book value of the Travel Assurance Fund is at least \$1.0 million and the Travel Agent 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 Compensation Fund. The modifications brought to the *Travel Agent Act* and its Regulation that came into effect on June 30, 2010 now states that a Travel Agent who wishes to unilaterally change the price of the travel services must insert a clause to that effect in the contract. The clause shall state that (i) 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; (ii) no price increase may occur within 30 days prior to the date of departure; and (iii) if such price increase is equal to or greater than 7% of the price of the travel services, excluding the Québec sales tax or federal goods and services tax, than the customer can choose between a full and immediate refund or the provision of 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 that the customer has not paid the price of the travel services in full, and only if the cumulative price increase is by a maximum of 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 and 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 Québec, which came into effect on June 30, 2010, prevents air carriers from charging a higher price than what is advertised.

So far, other provinces have not adopted similar provisions.

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. The advertisement must also 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.

3.8.1.1.3 *Laws Applicable to Franchising Activities*

Ontario, Manitoba, Alberta, Prince Edward Island and New Brunswick have adopted laws governing the formalities for entering into franchise contracts. On October 5, 2015, the Government of British Columbia tabled its Bill 38, entitled the *Franchises Act*, which is similar to the legislation in this matter adopted in the other Canadian provinces. In the course of its activities, Transat enters into franchise contracts with franchisees doing business in these provinces under the Marlin Travel, Travel Plus and Goliger's brands.

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, including those related to franchises.

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 L211-18 of the Tourism Code stipulate that travel agents must be registered with the Registration Office for Travel Agents and Other Travel Sales 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 have proof of insurance covering the financial consequences of their professional legal liability; and (3) they provide evidence that sufficient financial security has been provided, earmarked especially for repayment of all the funds received by the tour and holiday operator under the commitments it contracted regarding the end consumer for current or future services, allowing repatriation of travellers and assumption of the additional living expenses that would result directly from organization of the repatriation, particularly in case of cessation of payments resulting in a bankruptcy petition. That security must be provided by an *organisme de garantie collective* (joint guarantee fund), by a credit institution or an insurance company established on the territory of the European Union or in another state party to the Agreement on the European Economic Area, or by a finance company. 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. This different service offered by the guarantee fund does not require the customer's express agreement in an emergency, when its implementation does not result in a substantial change to the contract.

Whereas up to now the minimum amount (most lately €200,000) and the mechanisms of the financial guarantee calculation were determined by order of the Minister of Tourism, adopted after notice from the Conseil national du tourisme according to the turnover realized annually by the travel agency; as a result of the provisions of Order 2015-1111 of September 2, 2015, effective from January 1, 2016, for travel agents already in operation, the sufficient guarantee provided by Article L211-18 will be defined as the guarantee of all the funds received from the end consumer for the tourism packages and services enumerated in Article L211-1 that do not pertain exclusively to transportation fares.

Moreover, it was specified that the funds necessary for repatriation are understood as the funds necessary for transportation of consumers and the reasonable additional living expenses that would result directly from the organization of repatriation with regard to the transportation mechanisms stipulated in the contract.

The amount of the financial guarantee will be determined by the guarantor bodies by application of prudential rules determined by ministerial order, in proportion to the average premium or contribution received and the cost of the claims.

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 platform 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 at 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 Air 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 protects customers should a firm fail. Following this measure, Canadian Air issued a letter of credit of £11.0 million to the 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. As an ATOL licence holder, Canadian Air is different from competitors and low cost airlines entering the market who do not hold an ATOL licence. From 2016, Air Transat UK departing passengers, like those of other scheduled airlines will not be ATOL protected. However, Canadian Air customers who book a qualifying flight plus holiday arrangement will continue to be ATOL protected.

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 consumer 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 (including 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 *Montreal Convention of 1999 on Compensation for Accident Victims* (the “**Montreal 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 Montreal 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 Montreal Convention provides for the review of limits of liability and, thus ensures 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 Montreal Convention modernizes many of the ticketing and air waybill requirements. The Montreal 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.

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 by the

Canadian Transportation Agency 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, the Dominican Republic and Haiti. These operations are subject to the rules established under the bilateral air transport agreements concluded by Canada with these respective countries and supranational authorities.

On January 30, 2015, Bill C-51, *An Act to enact the Security of Canada Information Sharing Act and the Secure Air Travel Act, to amend the Criminal Code, the Canadian Security Intelligence Service Act and the Immigration and Refugee Protection Act and to make related and consequential amendments to other Acts* (the "Antiterrorist Act") was presented for first reading in the House of Commons. The Antiterrorist Act seeks to provide a new legislative framework for identifying and responding to persons suspected of threatening transportation security or of traveling by air for the purpose of committing a terrorism offence. The new Act would authorize the Minister of Public Safety and Emergency Preparedness to establish a list of such persons and to direct air carriers to take any necessary actions to prevent the commission of such acts. The Minister of Transport would also have the power to seize an aircraft for the purpose of inspecting it and the owner would be bound to give the Minister all assistance that may validly be required for the Minister to conduct the inspection. If the Minister is of the opinion that an aircraft owner has failed to comply with the Act, the Minister may take measures concerning the movement of the aircraft. The management cannot predict whether or when the Antiterrorist Act might be adopted.

Air Transat, like Transat Tours Canada, is subject to the Canadian and foreign personal information protection legislation concerning the collection, use, disclosure and protection of passenger and employee data. In Canada, the federal legislation regarding the protection of personal information in the private sector, the *Personal Information Protection and Electronic Documents Act* (Canada) ("PIPEDA"), governs the collection, use and disclosure of personal information in the course of commercial activities of a federally regulated undertaking. Moreover, the PIPEDA governs the processing of personal information of employees working for federally regulated employers. Subject to certain exceptions, the PIPEDA also applies to the collection and disclosure of personal information from province to province or between Canada and another country, and within provinces in the absence of substantially similar legislation governing the protection of personal information applicable to the private sector. The PIPEDA requires the tacit or express informed consent of the persons whose personal information is collected and used. The personal information then may be used only for the purposes for which it was initially collected or for other purposes provided or permitted by the PIPEDA. Air Transat's privacy policies respect or exceed the requirements of the Act.

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.

On July 1, 2014, *An Act to promote the efficiency and adaptability of the Canadian economy by regulating certain activities that discourage reliance on electronic means of carrying out commercial activities, and to amend the Canadian Radio-television and Telecommunications Commission Act, the Competition Act, the Personal Information Protection and Electronic Documents Act and the Telecommunications Act* came into force. Also called the "Canadian Anti-Spam Act" or "CASA", the Act particularly regulates the conditions on which commercial electronic messages may be sent. All of the Corporation's Canadian subsidiaries implemented mechanisms ensuring their compliance with the requirements of the CASA before July 1, 2014.

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. 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 have put the necessary processes in place to ensure compliance with the environmental laws, 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 Risk Management and Corporate Governance Committee of the Board of Directors annually reviews risk measurement and corporate policies and procedures with respect to the environment.

On June 3, 2014, Air Transat became the first airline in North America to obtain Phase 1 certification under the IEnvA (IATA Environmental Assessment), the seal of excellence in environmental best practices awarded by the IATA (International Air Transportation Association). This program is based on compliance with strict environmental standards and the Corporation's commitment to continuous improvement of its environmental management. The criteria underlying IEnvA certification are based on a combination of standards coming from recognized environmental management systems, such as ISO 14001, the IATA Operational Safety Audit (IOSA) and the IATA Safety Audit for Ground Operations (ISAGO). The assessments are conducted by independent accredited environmental certification organizations, which have proven environmental management system audit competencies.

Since January 2012, all air carriers serving the European Union, including Air Transat, are subject to EU regulations concerning the application of the EU's Emissions Trading Scheme (ETS) to aviation. 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 ICAO during its General Meeting 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. The European Union subsequently amended its ETS Regulation to limit its scope only to intra-European flights until the next General Meeting of the ICAO, in 2016. This will have the practical effect of excluding the vast majority of Air Transat's transatlantic flights from the application of the ETS until further notice.

Transat's Board of Directors formally adopted a sustainable tourism policy in 2008 and Transat developed and implemented an environmental policy in 2010. This policy provides a framework and sets out the principles guiding our action in this area.

3.8.4 Corporate Social Responsibility

Tourism provides socioeconomic benefits to communities, but also exerts various kinds of pressure on them, including environmental pressure. We endeavour to maintain healthy and mutually beneficial relationships with all communities, so that they benefit to the maximum from the favourable effects of our activities and of tourism in general, and we endeavour to minimize the adverse impacts. In this regard, we have in place a comprehensive corporate responsibility program with a report available online at resp.transat.com. The report provides an account of the organization's commitment to taking responsible actions and describes the main accomplishments.

Transat places great importance to skills upgrading and promoting of a work environment 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. Diversity is a key value for Transat with half of our senior

executives being women. We promote hiring of candidates from minority groups and also encourage direct or indirect employment of local personnel for positions at destination.

Skills upgrading and professional development are the core of our strategy. 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. Started in March 2015, it includes 9 modules focusing on developing key competencies in Transat's line of business. To date, 518 managers have undertaken the current curriculum of 8 modules and 154 of them have completed 4 modules or more.

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 staff development initiatives.

Transat's Code of Ethics was revised in 2010 and 2015, 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 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 product 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, 2015 available for consultation on SEDAR at 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

On April 10, 2015, the Corporation announced that it had received the required regulatory approvals to go forward with a normal course issuer bid for a 12-month period.

Pursuant to its normal course issuer bid, the Corporation intends to purchase for cancellation up to a maximum of 2,274,921 Class A Variable Voting Shares and Class B Voting Shares, representing approximately 10% of the public float of Class A Variable Voting Shares and Class B Voting Shares.

The normal course issuer bid is designed to allow the Corporation proper utilization, depending on the circumstances and in a wise manner, of a portion of the Corporation's excess of cash.

The purchases under the Corporation's normal course issuer bid will be made on the open market through the facilities of the TSX in accordance with its policy on normal course issuer bids. The price which the Corporation will pay for repurchased shares will be the market price at the time of acquisition plus brokerage fees. Purchases began as of April 15, 2015 and will terminate no later than April 14, 2016.

During the year ended October 31, 2015, the Corporation repurchased a total of 1,296,090 Class B Variable Voting Shares, for a total cash consideration of \$9.4 million.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS

We refer you to our Management's Discussion and Analysis for the year ended October 31, 2015 available for consultation on SEDAR at 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 2009* 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 Federal Minister of Transport.

6.2 INFORMATION AND REPORTING

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

Before each shareholders meeting, Transat's Board of Directors 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. On December 11, 2013, the Board of Directors approved the updating and restatement of the plan for another three-year period, with certain changes, which are described hereafter (the "**2014 Rights Plan**"). The 2014 Rights Plan came into force after the annual and special meeting of the shareholders held on March 13, 2014 and 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.

The 2014 Rights 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 2014 Rights Plan creates one right in respect of each Variable Voting Share and each Voting Share of Transat outstanding as at March 13, 2014, 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 Transat's outstanding Class A Variable Voting Shares and Class B Voting Shares, calculated on a combined basis, the rights are not separable from the shares, are not exercisable and no separate rights certificates are issued.

Under the 2014 Rights 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 outstanding Class A Variable Voting Shares and Class B Voting Shares of Transat calculated on a combined basis (otherwise than through the “Permitted Bid” requirements of the rights 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 gives effect to 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 in Canadian securities laws. A copy of the decision is available under Transat’s profile at 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 was the case under the previous plans.

The Corporation has studied Canadian Securities Administrators Notice 62-306, which provides that a proposed amendment to the regulatory framework governing take-over bids will be published for consultation shortly. In particular, the proposed amendment would require that all non-exempt take-over bids remain open for a minimum of 120 days, subject to the ability of the target issuer’s board of directors to waive, in a non-discriminatory manner when there are multiple bids, the minimum period to a period of no less than 35 days. In the event that this amendment comes into force before the 2014 Rights Plan expires, the Corporation will consider implementing the required amendments to the 2014 Rights Plan in order to comply with the new regulations in force, subject to the necessary approvals.

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 at October 31, 2015, there were 1,410,985 issued and outstanding Variable Voting Shares and 36,239,624 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 such 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 Division 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 divided 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 Conversion

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 Constraints on Share Ownership

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**

On November 16, 2015, the Transat Variable Voting Shares and Voting Shares were listed on the TSX under a single symbol, "TRZ". Previously, the shares were listed respectively under two symbols, "TRZ.A" and "TRZ.B".

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, 2015.

TRANSAT A.T. INC. TRZ.A			
Month	High	Low	Volume
October 2015	\$7.74	\$7.13	13,337
September 2015	\$7.81	\$7.04	37,323
August 2015	\$7.47	\$6.51	134,696
July 2015	\$8.37	\$6.86	119,633
June 2015	\$8.47	\$6.99	110,685
May 2015	\$7.30	\$6.88	9,897
April 2015	\$7.10	\$6.01	22,682

TRANSAT A.T. INC. TRZ.A			
March 2015	\$7.26	\$5.85	68,305
February 2015	\$8.02	\$7.00	43,537
January 2015	\$8.80	\$7.51	36,700
December 2014	\$9.76	\$7.70	211,358
November 2014	\$9.37	\$8.00	31,125

TRANSAT A.T. INC. TRZ.B			
Month	High	Low	Volume
October 2015	\$7.77	\$7.12	298,890
September 2015	\$7.92	\$7.00	1,656,303
August 2015	\$7.44	\$6.35	1,329,717
July 2015	\$9.68	\$8.49	2,724,659
June 2015	\$8.50	\$6.91	2,651,464
May 2015	\$7.39	\$6.82	1,996,579
April 2015	\$7.50	\$6.00	2,903,648
March 2015	\$7.13	\$5.85	3,013,001
February 2015	\$7.75	\$6.86	2,011,736
January 2015	\$8.81	\$7.49	1,600,145
December 2014	\$9.68	\$7.42	3,317,675
November 2014	\$9.28	\$7.96	1,563,805

On October 31, 2015, the closing price on the TSX of a Variable Voting Share was \$7.71 and the Voting Shares closed at a price of \$7.80.

8. OUR DIRECTORS AND OFFICERS

8.1 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 Transat's next annual meeting 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 <i>Québec, Canada</i>	Chairman of the Board, President and Chief Executive Officer	February 1987	401,766	10,331
Raymond Bachand <i>Québec, Canada</i>	Strategic Advisor, Norton Rose Fulbright	March 2014	0	12,031

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⁾
Louis-Marie Beaulieu <i>Québec, Canada</i>	Chairman of the Board and Chief Executive Officer of Groupe Desgagnés Inc.	March 2013	10,000	10,194
Lucie Chabot <i>Québec, Canada</i>	Vice-President and Chief Financial Officer of SAIL Outdoors Inc.	October 2015	0	0
Lina De Cesare <i>Québec, Canada</i>	Corporate Director	May 1989	75,576	10,953
Jean Pierre Delisle <i>Québec, Canada</i>	Corporate Director and Executor of Estates	September 2007	33,000	12,521
W. Brian Edwards <i>Québec, Canada</i>	Corporate Director	June 2010	18,790	26,005
Susan Kudzman <i>Québec, Canada</i>	Executive Vice-President, Corporate Affairs, and Chief Risk Officer, Laurentian Bank of Canada	March 2014	0	13,563
Jean-Yves Leblanc <i>Québec, Canada</i>	Lead Director and Corporate Director	December 2008	13,000	17,203
Jacques Simoneau <i>Québec, Canada</i>	President, Chief Executive Officer and Director of Gestion Univalor, L.P.	November 2000	18,280	13,135
Philippe Sureau <i>Québec, Canada</i>	Corporate Director	February 1987	323,209	17,025

(1) The number of shares or differed share units indicated is given as at October 31, 2015 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 2016 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:

- Mr. Raymond Bachand was elected to the Québec National Assembly for Outremont on December 12, 2005 and reelected 3 times in 2007, 2008 and 2012. He was Minister of Economic Development, Innovation and Export Trade from February 2006 to June 2009, Minister of Tourism from April 2007 to December 2008, Minister responsible for the Montreal region from April 2007 to September 2012, Minister of Finance from April 2009 to September 2012 and Minister of Revenue from August 2010 to September 2013. He retired from political life on September 13, 2013. Since January 20, 2014, he acts as strategic advisor for the law firm Norton Rose Fulbright;
- Mrs. Lina De Cesare was Advisor to the President from November 2009 to October 2014, and President, Tour Operators of Transat and President of Cameleon Hotel Management Corporation from December 2004 to November 2009;

- Ms. Susan Kudzman held the position of Executive Vice-President and Chief Risk Officer at Caisse de dépôt et placement du Québec from 2005 to 2010 and was an actuary and partner at Mercer Canada from 2011 to 2014, where she was in charge of the risk management practice. She was Senior Vice-President, Human Resources, of Laurentian Bank of Canada from March 2014 to September 2015 and is now Executive Vice-President, Corporate Affairs, and Chief Risk Officer at the Laurentian Bank of Canada since October 2015;
- Mr. Jacques Simoneau was Executive Vice-President, Investment, Business Development Bank of Canada from April 2006 to December 2010. He is actually President & CEO and Director of Gestion Univalor, L.P.; and
- Mr. Philippe Sureau was Advisor to the President from November 2009 to October 2014, and President, Distribution of Transat and President of Transat Distribution Canada from December 2004 to November 2009.

Transat's Board of Directors has created four committees, to which it has delegated specific mandates and 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, 2015:

EXECUTIVE COMMITTEE	Jean-Marc Eustache – Chair W. Brian Edwards Jean-Yves Leblanc Jacques Simoneau
AUDIT COMMITTEE	Jean-Yves Leblanc – Chair Raymond Bachand Jean Pierre Delisle Jacques Simoneau
HUMAN RESOURCES AND COMPENSATION COMMITTEE	W. Brian Edwards – Chair Louis-Marie Beaulieu Susan Kudzman Jean-Yves Leblanc
RISK MANAGEMENT AND CORPORATE GOVERNANCE COMMITTEE	Jacques Simoneau – Chair Jean Pierre Delisle W. Brian Edwards Susan Kudzman

As at December 9, 2015, 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.

8.2 OUR EXECUTIVE OFFICERS

The following table sets forth the names, province and country of residence of Transat's executive officers, 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, 2015, the executive officers and directors of the Corporation as a group own a total of 1,252,191 Voting Shares, which represent 3.46% of the total number of Voting Shares issued and outstanding as at that date and 3.33% 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 <i>Québec, Canada</i>	1987	Chairman of the Board, President and Chief Executive Officer of Transat, President of Air Transat and Transat Distribution Canada and Chairman of the Board and President of Transat Tours Canada	401,766
Joseph Adamo <i>Québec, Canada</i>	2011	General Manager of Transat Distribution Canada Inc.	8,095
Michel Bellefeuille <i>Québec, Canada</i>	2002	Vice-President and Chief Information Officer	29,709
Bernard Bussièrès <i>Québec, Canada</i>	2001	Vice-President, General Counsel and Corporate Secretary	63,228
Patrice Caradec <i>Paris, France</i>	1997	President and General Manager of Transat France S.A.S.	0
André De Montigny <i>Québec, Canada</i>	2000	President, Transat International and Vice-President, Corporate Development of Transat	55,299
Daniel Godbout <i>Québec, Canada</i>	1999	Senior Vice-President, Transport and Yield Management of Transat	95,930
Annick Guérard <i>Québec, Canada</i>	2002	General Manager of Transat Tours Canada Inc.	18,409
Christophe Hennebelle <i>Québec, Canada</i>	2009	Vice-President, Human Resources and Talent Management	1,378
Jean-François Lemay <i>Québec, Canada</i>	2011	General Manager of Air Transat A.T. Inc.	22,487
Michel Lemay <i>Québec, Canada</i>	2006	Vice-President, Communications and Corporate Affairs and Chief Brand Officer	23,523
Denis Pétrin <i>Québec, Canada</i>	1990	Vice-President, Finance and Administration and Chief Financial Officer	40,512

⁽¹⁾ The number of shares indicated is given as at October 31, 2015 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, Michel Bellefeuille, Bernard Bussièrès, Patrice Caradec, 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 was the Vice-President, Marketing and E-Commerce of Transat Tours

Canada from November 2011 to October 2014. Since June 2013, he is also the General Manager of Transat Distribution Canada;

- 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 Senior 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;
- From March to October 2009, Mr. Christophe Hennebelle held the position of Director, Human Resources of Look Voyages and, from November 2009 to July 2014, the position of Director, Human Resources of Transat France. He is actually Vice-President, Human Resources and Talent Management of Transat since August 4, 2014;
- Mr. Jean-François Lemay has held the position of General Manager of Air Transat since April 25, 2013 and also held the position of Vice-President, Human Resources and Talent Management of Transat from October 2011 to August 2014. From October 2003 to October 2011, he was a partner at Dunton Rainville practicing in administrative and employment law; and
- Denis Pétrin was Vice-President, Finance and Administration of Transat Tours Canada from May 2003 to November 2009. He is actually Vice-President, Finance and Administration and Chief Financial Officer of Transat since November 2009.

8.3 CEASE TRADE ORDERS OR BANKRUPTCIES

To Transat's knowledge, 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 the 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

- (i) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, which was issued while that person was acting in that capacity and was in effect for a period of more than 30 days;
- (ii) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, which was issued after that person ceased to act in that capacity, was in effect for a period of more than 30 days and resulted from an event that occurred while that person was acting in that capacity; or
- (iii) 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 while that person was acting in that capacity or within a year of that person ceasing to act in that capacity.

8.4 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.

8.5 PERSONAL BANKRUPTCIES

To the best Transat's knowledge, no director or executive officer has declared bankruptcy, 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 and 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 our adverse liability insurance coverage.

9.1 OTHER

From time to time, the Corporation is audited by the tax authorities, who raise questions regarding the treatment of certain transactions for tax purposes. Some of these questions could result in substantial costs, which will remain uncertain until one or more events occur or do not occur. Even though the outcome is difficult to predict with certainty, the tax claims or risks that will probably have an adverse outcome are accounted for by the Corporation according to the best possible estimate of the amount of the loss. The tax deductibility of the losses the Corporation reported during past years with investment in ABCP was challenged by the tax authorities and notices of assessment were received to this effect during the fiscal year. This situation, which could result in an expense of approximately \$16.2 million, is not provisioned, because the Corporation intends to defend itself vigorously and firmly believes it has sufficient facts and arguments to conclude that the final decision probably will be in its favour. However, this situation resulted in a disbursement of \$15.1 million during the year ended October 31, 2015. This amount is accounted for as income tax receivable as at October 31, 2015.

10. TRANSFER AGENT AND REGISTRAR

As at the date of this AIF, the transfer agent and registrar for Transat's shares is CST Trust Company, 2001 Robert-Bourassa Blvd., Suite 1600, Montreal, Québec H3A 2A6. Their offices are located in Toronto, Montreal, Calgary and Vancouver.

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, 2015 and 2014 included in the

Corporation's 2015 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

12.1 Material Contracts

Other than the agreements entered into in the normal course of business, the only material agreements entered into in fiscal 2015, or before fiscal 2015, which expired on October 31, 2015 and were not renewed, are the Professional Services Agreement entered into by the Corporation with Philippe Sureau and Lina De Cesare. Each of these agreements contained a clause allowing either party to terminate it on written notice. Each agreement also stipulated confidentiality and non-solicitation commitments.

Transat A.T. Inc. and Lina De Cesare entered into a Service Agreement effective from November 1, 2014 to October 31, 2015. As a consultant, Lina De Cesare receives for her services, fees according to the following hourly rate:

- \$350.00;

- \$175.00 when traveling by air on business outside the country;

The total amount of fees paid to Lina De Cesare for the period from November 1, 2014 to October 31, 2015 is \$3,707.

Transat A. T. Inc. and Philippe Sureau also entered into a Service Agreement effective from November 1, 2014 to October 31, 2015. However, no fees have been paid during this period.

These two agreements were filed and are available on the SEDAR website at sedar.com.

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 sedar.com.

14. APPOINTMENT OF SINGLE LEAD DIRECTOR AND AUDIT COMMITTEE DISCLOSURE

14.1 APPOINTMENT OF SINGLE LEAD DIRECTOR

In 2012, 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 12, 2015. 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 15, 2012, and was re-elected on March 14, 2013, March 13, 2014 and March 12, 2015.

14.2 AUDIT COMMITTEE'S CHARTER

The latest version of Transat's Audit Committee's Charter was approved at the meeting of such committee held on September 8, 2015. The Board of Directors adopted and ratified the Audit Committee's Charter on September 9, 2015. 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), Raymond Bachand, Jean Pierre Delisle and Jacques Simoneau.

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 S.A.S. (France), Pomerleau Inc. and Premier Tech Ltd. He is Chairman of the Audit Committee of Groupe Kéolis S.A.S. and serves on the audit committees 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.

Raymond Bachand. Mr. Bachand received his law degree from the Université de Montréal in 1969 and became a member of the Québec Bar the following year. He obtained a Masters of Business Administration (MBA) degree from Harvard University in 1972, followed by a Doctorate of Business Administration (DBA) degree in 1981. He taught at the École des hautes études commerciales de Montréal between 1972 and 1977, held the position of Chief of Staff to the Québec Minister of Labour and Manpower between 1977 and 1979, and served as Special Secretary in the Office of the Premier of Québec between 1979 and 1981. In the business world, he was Vice-President of Métro-Richelieu between 1981 and 1989 and Culinar between 1990 and 1993. He joined the Fonds de solidarité des travailleurs du Québec (FTQ) as a director from 1983 to 2001, a member of the Executive Committee from 1987 to 2001 and Chairman of the Audit Committee from 1988 to 1994, when he was appointed First Vice-President and Chief Investment Officer, and then President and Chief Executive Officer from 1997 to 2001. He was also Chief Executive Officer of Secor Conseil from 2002 to 2005. Finally, he was a member of the Board of Directors of the newspaper Le Devoir between 2002 and 2005, a member of the Board of Directors and the Auditor Committee of the Canadian Public Accountability Board (CPAB) from 2003 to 2005 and of the Board of Trade of Metropolitan Montréal between 2004 and 2005. He received the MBA of the Year Award in 1997 and the Prix Dimensions in 2000.

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

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

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 Montreal 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 Advisor 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 and 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 and 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 also served on BDC's Senior Management Committee, Asset and Liability Committee and 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 Board of Directors 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 15 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.

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 Transat employees to report, in a confidential manner, any concerns they may have regarding questionable accounting, internal accounting controls or auditing matters. Complaints may be addressed separately to the attention of the Vice-President, General Counsel and Corporate Secretary or to the Senior Director, Internal Audit and Risk Management. At each Audit Committee meeting, members receive a report indicating whether any complaints regarding accounting or auditing matters have been filed. Moreover, as part of an update of Transat's Code of Ethics, as approved by the Board of Directors on September 9, 2015, we also strengthened the whistleblower mechanism by adding a new email address, "Ethic@transat.com", at which only three persons will receive notification of this whistleblowing: the Vice-President, Human Resources, the Vice-President, Legal Affairs and the Senior Director, Internal Audit and Risk Management. The Code of Ethics is reproduced in Schedule II of this Annual Information Form.

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 Risk Management and Corporate Governance 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, 2015 and October 31, 2014, Ernst & Young LLP billed the following fees for audit, audit-related, tax and all other services provided to the Corporation:

	2015	2014
Audit Fees ⁽¹⁾	\$1,155,000	\$1,122,000
Audit-Related Fees ⁽²⁾	\$99,000	\$72,000
Tax Fees ⁽³⁾	\$303,000	\$163,000
All Other Fees ⁽⁴⁾	–	–
TOTAL	\$1,557,000	\$1,357,000

(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 certifications 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, 2015 and October 31, 2014.

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, 2015, both of which are contained in the 2015 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 for the annual and special meeting of shareholders to be held on March 10, 2016.

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

**SCHEDULE I –
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 Corporation¹ 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 Risk Management and Corporate Governance 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 stakeholders

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 and internal auditors, at

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.

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 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 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 should 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 replacement².

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 literate³.

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 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' 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 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 submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

- XIV. Evaluate annually the competence and independence and quality of the work 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 Risk Management and Corporate Governance Committee, the principal financial risk factors pertaining to the Corporation's business and approve the strategies and measures 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 other material risks;
- 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 external 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 Committee⁴.

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.

**SCHEDULE II –
CODE OF ETHICS
OF TRANSAT A.T. INC.**

Code of Ethics

Every organization abides
by a set of principles, values
and rules that guide its conduct
in all circumstances.



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Appendix A

Appendix B

MESSAGE FROM MANAGEMENT

Every organization adheres to a set of principles, values and rules that guide its conduct in all circumstances.

Transat A.T. Inc. is a Canadian leader in the holiday travel industry that owes its enviable position in North America and Europe in large part to its management and personnel who have built solid credibility and earned the trust of their clients throughout the world.

This credibility and trust are based on core values. At Transat, clients are our priority. Respect, rigour and responsibility are the values that guide our organization in carrying out its mission. Our values are more than just ideas. They must find concrete expression in our attitudes and conduct.

To safeguard these values that have contributed to Transat's success and prosperity, the corporation has set down, in this Code of Ethics, the principles and rules that govern the way it does business and maintains relationships with clients, partners as well as the legislative and regulatory authorities in the countries in which it operates.

Chair of the Board, President and Chief Executive Officer

A handwritten signature in blue ink, appearing to read 'JM Eustache', is centered on the page. The signature is fluid and cursive, with a long horizontal stroke at the end.

Jean-Marc Eustache

1. PURPOSE

The purpose of this Code of Ethics (referred to as the “Code”) is to establish the principles guiding the relationships that Transat A.T. Inc. and its business units (collectively, “Transat” or “the Corporation”) maintain with their employees, clients, their providers and business partners, including governments and authorities in the countries in which they operate. This document also describes how these principles that guide the conduct and actions of all Transat employees must be applied in the performance of their respective duties.

2. APPLICATION

2.1. Scope

The provisions of this Code apply to all the employees (permanent or contractual), officers, executives and directors of Transat and of all its subsidiaries, both in Canada and abroad. This Code also applies to all who are bound by contract to Transat, to the extent that this Code concerns them.

The persons who are subject to this Code must take cognizance of and comply with the Code.

2.2. Interpretation

For the purposes hereof, the name “Transat” and the term “the Corporation” will be used interchangeably to refer to all Transat A.T. Inc. operations. In this document, the masculine gender is used for simplification purposes only. No discrimination is intended.

2.3. Amendments

Transat reserves the right to repeal, amend or adopt any regulation, standard or procedure it may deem expedient. Whenever necessary, this document will be periodically updated to reflect changes that may have been made to the Corporation’s policies, guidelines and programs or to the laws and regulations in effect in the communities in which it operates.

2.4. Limitations

The provisions hereof are independent of those set out in the various Laws, Regulations or collective agreements to which Transat are subject to or signatory to and may not be used to amend same.

2.5. References

The documents or references cited throughout this Code are available for consultation from the Human Resources Department.

3. GUIDELINES

Transat has adopted a vision to guide its evolution and ensure that its business remains competitive and sustainable. Our guidelines are as follows.

3.1. Vision

Transat, a leader in the holiday travel industry, has a team that travellers trust because it offers them a welcoming, safe and altogether exceptional experience. We exist to serve our clients, and responsible development of tourism is our passion.

3.2. Values

Respect: we work as a team, in a spirit of openness towards the ideas and expectations of our colleagues, clients and partners.

Rigour: we are professionals constantly striving for excellence, and we tackle challenges methodically, efficiently and with integrity.

Responsibility: we anticipate our obligations towards our clients, colleagues, society and the environment.

3.3. Entrepreneurial Spirit

The Corporation owes its success to the increasing accountability and engagement of its human resources. Transat fosters initiative, the will to improve, innovation and dynamism among its personnel. The Corporation encourages its employees to be attentive to clients' needs in order to take any actions necessary to meet those needs in a more efficient and adequate manner than our competitors.

3.4. Continuous Improvement

Transat's vitality relies on the quality, efficiency and excellence of the products and services it provides to clients. The Corporation's goal is to make continuous improvements that will increase its competitive advantage, in all areas of the company, while increasing profitability, with a view to ensuring its vitality and growth.

3.5. Integrity

Transat demands that all of its employees demonstrate honesty, integrity and equity when promoting and selling the Corporation's products and services as well as in the overall conduct of its affairs.

4. CONDUCT

4.1. Clients

Clients, Transat's raison d'être, are entitled to the greatest care and attention. Transat's relationships with clients must be imbued with honesty and mutual respect, so as to forge durable, equitable and mutually beneficial business relations.

4.2. Employees

The skills and experience of Transat's employees are the very essence of its present and future success; this is why the Corporation emphasizes the development, communication and engagement of employees in the performance of their respective duties.

4.3. Compliance with Laws and Regulations

Transat is a responsible corporate citizen that abides by the laws and regulations in effect in the countries in which it operates. For this reason, any direct or indirect involvement with bribes, illicit kickbacks, illegal incentives, misappropriated funds or other similar types of payment is strictly prohibited and subject to disciplinary actions that may include dismissal. Employees are required to notify the Corporation's management of any suspicious transaction or activity that may come to their attention.

4.4. Competition

Transat believes in the value of free competition, a fundamental component of a market economy characterized by increasing globalization of trade.

Employees must also abide by all the laws applicable to competition. Furthermore, no employee may participate, officially or unofficially, in any discussions, agreements, projects or arrangements with competitors or potential competitors concerning prices, price setting, territories or clients to be served.

Given the complexity of the laws governing competition, the Corporation recommends to employees that they consult the Legal Affairs Department about these issues, if necessary. The details and the provisions that concern competition are available in the document entitled *Compliance Program*.

4.5. Confidentiality

Transat keeps all relationships with its employees, shareholders, suppliers, clients and public authorities confidential. As a result, Transat discloses only that information which is public or required by law, or which it has been authorized to disclose by the individual or legal person at issue.

Confidential or personal information must be protected by all Transat employees, even those who leave the Corporation, voluntarily or not, in accordance with the *Policy Regarding the Protection of Personal Information and the Right to Privacy*.

Moreover, in order to protect the confidentiality of certain elements crucial to the Corporation, employees who work in certain departments or categories of employment will be required to enter into specific confidentiality agreements.

Where applicable, an employee who has not signed the document referred to in the above paragraph is not inasmuch released from this obligation, regardless of the reason for which said document was not signed.

We wish to emphasize that any employee, director, officer or executive of the Corporation, in addition to the obligation to perform his work or his duties prudently and diligently, must act with loyalty and refrain from using any confidential information he obtains in the performance of or in conjunction with his work or duties. It is also formally prohibited for any employee, director, officer or executive to share or disclose any confidential information on social media, including in a personal capacity.

All employees, directors and persons authorized to speak on behalf of the Corporation are also required to preserve the confidentiality of material information that has not yet been disclosed to the public, in accordance with *Transat's Disclosure Policy*.

All documents and files that are the property of Transat must be returned by an employee who, voluntarily or not, leaves his employment.

4.6. Conflicts of Interest

Before committing to any process or activity that could potentially lead to the application of the foregoing provisions, employees must consult and obtain the consent of their superior. To this end, such employees must complete the *Declaration of Personal Interests* attached as Appendix A.

4.6.1 General

The duty of loyalty that all employees owe Transat requires that they avoid any situation that places or is likely to place their personal interests in conflict or in apparent conflict with the interests of the Corporation, so as to remain impartial in the performance of their duties and responsibilities.

Employees must avoid placing themselves in a situation where they, a person to whom they are related, a dependent or a member of their immediate family, could directly or indirectly benefit from a transaction or contract entered into by the Corporation that has not been made in accordance with the usual market terms and conditions and thus is prejudicial to the Corporation.

A "situation giving rise or likely to give rise to a conflict of interest" includes, but is not limited to, the following:

- devoting, according to the employee's superior, too much time and attention to a paid or unpaid activity to the detriment of the employee's obligations to Transat;
- having an obligation, interest or concern that affects or is likely to affect the employee's judgment to the detriment of Transat's interests;
- directly or indirectly participating in activities or acts that adversely affect or are likely to adversely affect Transat's economic interests.

4.6.2 Gifts and favours

Decisions made in Transat's name must be free of any influence. Accepting gifts or entertainment from suppliers, clients, business partners or other third parties may create a feeling of obligation, or give the impression that an obligation has been created. For this reason, an employee must exercise the greatest caution when offered any type of gift, promotional article, meal, sports event or other item.

However, an employee may accept certain promotional items or gifts, provided that he has not solicited them and they do not exceed generally accepted commercial courtesies and practices. An employee may accept business meals and participate in entertainment events, provided that these are of a reasonable value and occur on a one-time basis.

In a situation where a call for tenders is being made to suppliers, in order not to give the impression of favouring one supplier over another, it is formally recommended, to any person participating in the decision-making process, that they not accept any form of gift, promotional item, meal or invitation to entertainment events or other benefit.

When in doubt, employees are encouraged to consult their immediate superior before accepting such offers.

4.6.3 Family or personal relationships

We authorize hiring individuals who are members of the same family, provided that there is no actual or perceived conflict of interest.

In cases where family or personal relationships give rise to actual or perceived conflicts of interest, the Human Resources Department must be informed immediately.

Any situation shall be handled with the greatest discretion and confidentiality, with a view to finding a solution allowing prompt resolution of such situations of actual or perceived conflicts of interest.

The following cases are examples of what might constitute an actual or perceived conflict of interest:

- hiring a member of our family or someone with whom we have or wish to have a personal relationship, or giving a promotion to such a person;
- exercising influence on another employee to the benefit or the detriment of a member of our family or of someone with whom we have or wish to have a personal relationship;
- working directly or indirectly under the orders of a member of our family or of someone with whom we have or wish to have a personal relationship.

4.7. Integrity of Accounting Information

The accounting books and entries of the Corporation are maintained in a strictly honest manner and comply with generally accepted principles, so as to accurately reflect all operations and transactions in a timely manner. Management, analysts and investors rely on such books of account to make important decisions. Moreover, members of management are called upon to attest to the veracity and reliability of the books of account, on a quarterly basis.

The accuracy and completeness of the books of account are of the greatest importance for Transat to be able to fulfill its obligations under the law (Regulation 52-109) and towards its shareholders, clients and suppliers. Consequently, all our books of account must be complete, accurate and reliable. Moreover, any person who participates in communicating our financial information must do so competently, diligently, honestly and exhaustively, and must be authorized to do so.

Consequently, any employee, officer or director makes the following undertakings regarding our records and books of account:

- The Corporation's books of account, expense reports, invoices, vouchers, payroll journals, employee files and other reports must be prepared carefully, honestly and in a timely manner;
- All transactions must be performed by persons who have the required authority to do so under Transat's policies and procedures and in accordance with the applicable laws, standards and regulations;
- No transaction or asset or liability must be concealed from management;
- Every effort must be made to resolve any questions or concerns raised by internal and external auditors;
- All signed documents must be accurate and true.

Moreover, it is strictly forbidden to:

- Make any false or misleading accounting entries or set up unregistered bank accounts with respect to sales, purchases or any other activity of the Corporation;
- Set up or maintain, for any purpose whatsoever, a secret or unregistered cash fund or other assets;
- Make financial arrangements incompatible with the usual practices followed by Transat with a client, partner or supplier;
- Use funds or other assets of the Corporation for unlawful purposes. Our officers and executives, and those responsible for doing Transat's accounting and keeping Transat's book, must show due diligence not only in enforcing this prohibition, but also in seeing to it that the Corporation's property is put to good use.

In the event that an employee, officer or director has infringed this integrity of accounting information, Transat strongly encourages you to report the matter promptly, in good faith, to your manager or to the Senior Director, Internal Audit and Risk Management, or by email as explained in Section 6.3.2 below of this Code.

4.8. Stock Transactions

Insiders (directors and officers) contemplated by law are required to disclose any Transat share transactions they may be involved in, in accordance with laws and regulations. These transactions are subject to the privileged information restrictions more thoroughly described in the *Insider Trading Guidelines for directors and senior officers of Transat A.T. Inc. and its Principal subsidiaries*.

Any insider and, more generally speaking, any employee who, in the course of the performance of duties within the Corporation, has access to privileged information must consider such information confidential and refrain from trading the Corporation's shares as long as said information remains privileged.

Any information that could have an influence on the Corporation's share price is deemed privileged information until it is made public.

4.9. Work Environment

The Corporation wishes to maintain a healthy and pleasant work environment where individuals are treated with dignity and respect, free from any form of discrimination, aggression or harassment. The Corporation condemns all forms of misconduct, in particular any form of harassment such as slurs, acts or gestures with racial or sexual connotations or any other form of psychological harassment that may undermine a person's dignity, integrity, well-being or health. These principles are set out in corporate policies such as the *Policy on Psychological Harassment in the Workplace*.

4.10. Corporate Responsibility

Transat is committed to the sustainable development of the tourism industry and intends to be a leader in this regard, becoming an increasingly responsible company, economically, socially and environmentally. To this end, it establishes and maintains healthy, mutually beneficial relationships with all stakeholders, including clients, employees and the communities in which it operates, including destination countries. Transat thus strives, of its own accord, to reconcile the promotion of tourism as a vector for development with dynamic management of its impacts, in the interest of the common good. Transat also undertakes to combat the sexual exploitation of children in tourism, in particular by raising awareness and training of staff.

4.11. Employee Volunteer Involvement

Subject to the provisions of Section 4.6 (Conflicts of Interest) and in accordance with the *Volunteer Program*, Transat is in favour of all employees playing an active role in the community by getting involved in social, educational and cultural organizations.

Eligible employees receive one paid day per calendar year to do volunteer work with a non-profit organization operating in our communities. Such activities must not conflict with the normal performance of their duties, nor be conducted on the work premises.

Employees should avoid volunteering for organizations that promote discriminatory practices. Where volunteer commitments are political or religious in nature, employees may make them only on their own behalf, not as representatives of the Corporation, in accordance with the conflict of interest provisions set forth in Section 4.6.

4.12. Environment

Transat has adopted policies, processes and conduct to ensure that its operations target environmental and biodiversity preservation as well as reduction of the potentially undesirable environmental impacts of tourism (including greenhouse gas emissions).

To this end, the Corporation relies on each employee's commitment to the implementation of such initiatives, especially in view of the fact that a healthy, diverse and protected environment is essential to the growth of tourism.

4.13. Electronic Communications Systems and Social Media

All employees must demonstrate care, restraint and the respect of the rights of others when using electronic communications systems, including social media.

As is the case with the use of telephones, personal use of the electronic communications systems is authorized to the extent that it does not affect the work performance of the user or of other employees.

Consequently, all employees, officers or directors make the following commitments regarding the use of social media (for more details, consult the appended policy "Use of Social Media"):

- *Do not use social media at work.* Employees of Transat and its subsidiaries are forbidden to use social media during working hours or to use, for this purpose, facilities and equipment made available to them by Transat, except for employees formally authorized to do so.

- *Do not speak in the name of Transat.* Regardless of the forum and the circumstances, no one may speak in the name of Transat through social media, directly or indirectly, explicitly or by suggestion, unless they are an employee formally authorized to do so. If you publish a blog, post a statement releasing Transat of any liability if you mention products, activities, employees, suppliers, partners and competitors of the organization, or if you discuss the travel industry.
- *Do not solicit Transat clients.* Unless formally authorized to do so, employees are forbidden to solicit clients or potential clients of Transat using social media.
- *Show good judgment.* Social media are a public hub with a very long memory, where everyone, including Transat's employees, has a right to post personal information and to express their values and opinions, directly or indirectly. This situation requires a respectful attitude. This entails, in particular, not making derogatory, offensive, insulting, slanderous or obscene comments, and not commenting negatively on Transat's decisions, orientations and products.

Transat's employees are forbidden to use facilities, networks and equipment belonging to Transat to communicate through social media, unless they are authorized users.

4.14. Property of the Corporation

It is the responsibility of each Transat employee to safeguard the Corporation's revenues along with its tangible and intangible assets, including its trademarks. Any conduct that violates this principle, including but not limited to theft, fraud or unlawful use of the Corporation's trademarks, will be subject to strict disciplinary measures that may include dismissal.

4.15. Inventions within the Performance of Duties

Any invention, including the development of computer software, created by an employee within the performance of duties, whether during or outside working hours, belongs to the Corporation.

All employees must disclose to the Corporation any information relating to the invention and co-operate for the registration by the Corporation of a copyright or patent thereon. Whenever necessary, such employees must also assign any right they may have to Transat.

In order to protect the Corporation's property, employees of certain business units working in certain departments or categories of employment may be required to sign the document entitled *Agreement Regarding Patents, Inventions and Confidential Information*. In so doing, they undertake to comply with all obligations set out therein.

5. DISSEMINATION OF THE CODE

5.1. Employees

To ensure that all employees are familiar with the provisions of the Code, an electronic copy is included in the welcome package for new employees, and is accessible at all times on the Intranet. The Code is also explained to all new employees when at the time of hiring. It is the responsibility of all employees to familiarize themselves with the provisions set out herein.

5.2. Immediate Superiors

It is the responsibility of immediate superiors to make sure that all the employees who report to them have read the Code, and understood its scope. Immediate superiors must also ensure compliance with the provisions of the Code.

5.3. Directors and Officers

It is the responsibility of the Corporation's directors and officers to promote the principles and rules of conduct set out herein with their various partners.

5.4. Annual Review of the Code

To demonstrate our commitment to these values, all employees, executives, officers and directors must attest annually to the fact that they have reviewed the Code, and confirm that they have done so by signing the attestation contained in Appendix B. This confirmation will be done electronically through Transat's integrated Human Resources system.

6. COMPLIANCE WITH THE CODE

6.1. Paramourncy of the Code

Aspects of the principles set out herein, as well as of complaint settlement mechanisms, appear in the Corporation's various policies, guidelines and programs. The content of said policies, guidelines and programs may be amended as circumstances require, but it may not violate the principles and rules of conduct set out herein.

6.2. Information and Code Violation

Employees who are uncertain about the scope of an action they are about to take or who would like more information on how to interpret this Code may refer to their superior or a human resources representative.

6.3. Violations, Complaints and Conflict Resolution

6.3.1 Analysis and Consultation

Application of the Code to particular situations or in specific circumstances may lead to debates, questions of interpretation or practical difficulties. In case of doubt, the following questions should be asked:

- a) What are the relevant rules and principles here, and do I clearly understand their purpose?
- b) Is there incompatibility between the conduct or situation in question and the letter or spirit of the relevant rules and principles?
- c) Would my conclusion be the same if I were to put myself in the place of the other persons involved?
- d) Would another person, acting reasonably, come to the same conclusions as I?
- e) Am I comfortable enough with my conclusion to have it publicly known, and could I defend it publicly in all honesty?
- f) Do I foresee that the situation or conduct in question will have negative consequences for Transat or for any subsidiary of the Transat Group?
- g) Do I ultimately feel that I have done my duty with complete integrity?

In conducting your analysis, you might want to consult one of the following persons, depending on the type and nature of the information you need:

- If you need general information, you may consult your director or immediate superior, or if you think this is a question you can't discuss with that person, consult the person on the next higher reporting level;

- If you need clarifications about accounting or audit issues, you may consult the Senior Director, Internal Audit and Risk Management;
- If you need clarifications about employment and workplace issues, you may consult the designated human resources representative of the Transat Group subsidiary concerned;
- If you need clarifications about legal issues or questions regarding the effect of a contract, you may consult the Vice-President, General Counsel and Corporate Secretary of Transat;
- If you still have doubts, concerns or suspicions following this analysis or consultation, the next step is to report them immediately.

6.3.2. Reporting a Violation of the Code

i) For employees

Employees who note any violation of any provision hereof that is prejudicial to

Transat, or who think they have been subjected to a breach of a policy or this Code, must immediately notify their immediate superior. Where the employee's immediate superior is not available or is directly involved in the violation of the Code or of a policy, the employee must then approach the person on the next higher reporting level. The Corporation will deal with this information confidentially, and undertakes not to retaliate in any way against the employee who reports such a violation in good faith.

The Corporation will not disclose the name of the employee making the complaint, or the circumstances giving rise to the complaint, to any person, except where disclosure is required for the purposes of investigating or taking appropriate disciplinary measures under the circumstances. Any violation of this Code is subject to disciplinary sanctions that may include dismissal.

ii) For any person engaged in business relations with Transat

Any person maintaining business relationships with Transat must notify the Vice-President, General Counsel and Corporate Secretary of any serious breach of the principles set out herein that is prejudicial to Transat. Any information communicated shall remain confidential.

The Vice-President, General Counsel and Corporate Secretary may be contacted by mail, telephone or facsimile as follows:

TRANSAT A.T. INC.

Place du Parc

300 Léo-Pariseau Street, Suite 600

Montreal, Québec H2X 4C2

Telephone: (514) 987-1660, ext. 4520

Facsimile: (514) 987-6239

iii) Finally, as a last resort, if the above-mentioned reporting and complaint mechanisms are not suitable, an email may then be sent to:

Ethique@transat.com or Ethic@transat.com

Only the Vice-President, Human Resources, the Vice-President, Legal Affairs and the Senior Director, Internal Audit and Risk Management shall simultaneously receive the email, which shall be treated in the strictest confidence.

To allow a reasonable inquiry to be conducted, the email shall contain all relevant, precise and sufficiently sure information, such as: information on the person sending the email (name, duties, position, if the mechanisms provided for in i) or ii) are followed, and if not, why not), description of the event, dates, locations, persons involved and witnesses, section(s) of the Code violated, etc.

Transat's Management will ensure that any notice of violation of this Code is carefully examined so as to determine its merits and to take appropriate remedial action if necessary.

Adopted on February 4, 2004 and amended on March 10, 2010 and modified on September 9, 2015.

APPROVED BY THE BOARD OF DIRECTORS

APPENDIX A

DECLARATION OF PERSONAL INTERESTS

Please declare below any personal interests you may have and any professional, business or financial activities that might be incompatible with those of Transat A.T. Inc. and give rise to a conflict of interests. If you have any doubts about the incompatibility of your personal interests and those of Transat A.T. Inc., please refer to Section 4.6 of the Code of Ethics or contact, in this regard, the VicePresident, General Counsel and Corporate Secretary of Transat.

Description of the situation that may give rise to a conflict of interest:

Name (please print)

Position

Signature

RÉCEIVED BY: _____

SIGNATURE: _____

DATE OF RECEIPT: _____

**APPENDIX B
ATTESTATION**

I, _____, hereby confirm that I have read the Code of Ethics of Transat A.T. Inc., and I consent to the lines of conduct and directives it contains. I also undertake to promote compliance with the policies and guidelines of the Code of Ethics within Transat A.T. Inc. Should I happen to supervise the work of certain employees, I shall implement every reasonable means to ensure that these employees abide by the Code of Ethics in all respects, in so far as the entity for which I work has not already adopted a separate policy or guideline in the matter.

SIGNED on _____ 20__.

Name (please print)

Position

Signature

RÉCEIVED BY: _____

SIGNATURE: _____

DATE OF RECEIPT: _____

POLICIES AND PROGRAMS OF TRANSAT A.T. INC.

- *Policy on Psychological Harassment in the Workplace*
- *Policy on Personal Information and Privacy Protection*
- *Transat's Disclosure Policy*
- *Insider Trading Guidelines for Directors and Senior Officers of Transat A.T. Inc. and its Principal Subsidiaries*
- *Volunteer Program*
- *Compliance Program*
- *Use of Social Media*

