AIR CANADA

News Releases

Air Canada and Transat announce Increased Purchase Price to $18 per Share for 100% of Transat and Lock-up and Support Agreement with Transat's Largest Shareholder, Letko Brosseau

- Air Canada to increase its purchase price from $13 to $18 per share, representing an aggregate purchase price of approximately $720 million
- Letko Brosseau, Transat's largest shareholder holding approximately 19.3% of outstanding shares, has entered into a lock-up and support agreement, confirming its support for the Air Canada acquisition

MONTREAL, Aug. 11, 2019 /CNW Telbec/ - Air Canada and Transat A.T. Inc. ("**Transat**") announced today that Air Canada has agreed to increase the purchase price for the acquisition of all issued and outstanding shares of Transat, from $13 to $18 per share and have amended the Arrangement Agreement dated June 27, 2019 accordingly. Based on the increased consideration, the value of the all-cash transaction is approximately $720 million.

Air Canada has also entered into a lock-up and support agreement with Transat's largest shareholder, Letko Brosseau & Associates Inc., who beneficially owns or has control or direction over 7,277,104 Class B voting shares or approximately 19.3% of all issued and outstanding shares of Transat. Under the terms of its Lock-up and Support Agreement, Letko Brosseau has agreed to support and vote all of the Class B voting shares of Transat it controls at the Special Meeting of Shareholders of Transat on August 23, 2019 or at any adjournment or postponement thereof, in favour of Air Canada's acquisition of Transat.

Amendments to the Arrangement Agreement between Air Canada and Transat were unanimously approved by the Board of Directors of Transat and its Special Committee, and are included in an Amending Agreement that provides for the following:

- an increase in the price payable by Air Canada from$13 to $18 per share, for 100% of all issued and outstanding Class A and Class B shares of Transat
- an increase in the break fee payable by Transat from$15 million to $40 million in case of termination of the agreement in certain circumstances, including upon acceptance of a Superior Proposal that is not matched by Air Canada
- a change to the definition of Superior Proposal under the Arrangement Agreement, from a third-party unsolicited*bona fide* written acquisition proposal, made at a firm price per share equal to or exceeding $14 to one that must be equal to or exceed $19 in cash

The terms and conditions of the Arrangement Agreement otherwise remain unchanged.

"After extensive consultations with Letko Brosseau and several other large shareholders of Transat, we agreed to materially increase our price to ensure the transaction receives the necessary level of support at the Special Meeting of Shareholders of Transat," said Calin Rovinescu, President and Chief Executive Officer of Air Canada. "We are therefore very pleased to have received Letko Brosseau's strong endorsement for our transaction. We know this achieves the best possible outcome for all stakeholders. For shareholders of Transat and Air Canada, the combination delivers excellent value, while also providing increased job security for both companies' employees through greater growth prospects. Air Canada intends to preserve the Transat and Air Transat brands and maintain the Transat head office and its key functions in Montreal. Travellers will benefit from the merged companies' enhanced capabilities in the highly competitive, global leisure travel market and from access to new destinations, more connecting traffic and increased frequencies. The Quebec economy will derive maximum advantage of having a Montreal-based, growth-oriented global champion in aviation, the world's most international business, spurring more employment and securing Montréal's position as a leader among world aviation centres," added Mr. Rovinescu.

"We are very pleased by the added stability brought about by Air Canada's increased bid as supported by Transat's largest shareholder, Letko Brosseau. We appreciate the time and energy that Air Canada has spent in extensive consultations with our shareholders, in addition to our own efforts, with a view to ensuring the best outcome for all stakeholders. This fully funded cash transaction is the ideal platform for Transat's continued presence and growth in Montreal. We look forward to joining forces with a proven and successful player in our highly competitive and complex industry," said Jean-Marc Eustache, President and Chief Executive Officer of Transat.

Transat has obtained fairness opinions from each of National Bank Financial and BMO Capital Markets that, as of August 11, 2019, subject to the assumptions, limitations and qualifications contained therein, the consideration to be received by the

Transat shareholders pursuant to the Amending Agreement is fair to such shareholders from a financial point of view.

The Board of Directors of Transat and its Special Committee, supported by their financial and legal advisors, unanimously reiterate that the Arrangement with Air Canada is in the best interest of Transat and its stakeholders and is fair to Transat shareholders, and unanimously recommend that shareholders:

Vote FOR the special resolution approving the Arrangement with Air Canada

Voting Information for August 23, 2019 Meeting

For Transat shareholders who have submitted their proxies or voting instructions to Transat in favour of the Plan of Arrangement with Air Canada and do not wish to change their votes on the matters set forth therein, no further action is required and their votes will be counted at the meeting for the approval of the transaction with Air Canada in accordance with the proxies or voting instructions already submitted. For Transat shareholders who have already submitted their proxies or voting instructions and wish to change their votes, they must comply with the proxy revocation procedures set forth in the management proxy circular of Transat mailed on July 23, 2019. **The cut-off time for voting and the withdrawal of proxies is 5:00 p.m. (Montréal time) on August 21, 2019. The time limit for the deposit and withdrawal of proxies may be waived by the chair of the Meeting at his discretion without notice.** Transat shareholders holding their shares through a broker, investment dealer or other intermediary should contact such intermediary **without delay** if they wish to change their voting instructions. **Transat shareholders who require assistance in submitting or changing their proxies or voting instructions may direct their inquiries to Transat's strategic shareholder advisor and proxy solicitation agent, Kingsdale Advisors, toll free in North America at 1 (888) 518-1552 or collect call outside North America at (416) 867-2272 or by e-mail at contactus@kingsdaleadvisors.com**

Mach Scheme

The Board of Directors of Transat reiterates that it urges shareholders to REJECT Groupe Mach's highly abusive, coercive, misleading and conditional scheme. VOTING FOR THE ARRANGEMENT WILL REJECT GROUPE MACH'S SCHEME. Shareholders who have already deposited their Transat shares with Mach can reverse this by withdrawing their Transat shares by contacting their broker. For further assistance, shareholder should contact Transat's strategic shareholder advisor and proxy solicitation agent, Kingsdale Advisors, toll free in North America at 1 (888) 518-1552 or collect call outside North America at (416) 867-2272 or by e-mail at contactus@kingsdaleadvisors.com.

Plan of Arrangement

The acquisition will proceed by way of a court-approved plan of arrangement pursuant to the *Canada Business Corporations Act*. The transaction remains subject to regulatory and shareholder approvals and the other closing conditions set out in the Arrangement Agreement. If such approvals are obtained and conditions are met, the transaction is expected to be completed in early 2020. Further details regarding the transaction are provided in Transat's management proxy circular for the special meeting of shareholders and in the Arrangement Agreement and the Amending Agreement entered into between Air Canada and Transat, copies of which are available on SEDAR at www.sedar.com.

Caution Regarding Forward-Looking Information

This news release includes forward-looking statements within the meaning of applicable securities laws. Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Forward-looking statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors. The acquisition of Transat is subject to Transat's shareholder approval, court approval, regulatory approvals, and certain customary conditions and there are no assurances that the acquisition will be completed as described in this news release or at all. Any forward-looking statements contained in this news release represent expectations as of the date of this news release and are subject to change after such date. However, except as required under applicable securities regulations, any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, is disclaimed.

About Air Canada

Air Canada is Canada's largest domestic and international airline serving nearly 220 airports on six continents. Canada's flag carrier is among the 20 largest airlines in the world and in 2018 served nearly 51 million customers. Air Canada provides scheduled passenger service directly to 62 airports in Canada, 54 in the United States and 100 in Europe, the Middle East, Africa, Asia, Australia, the Caribbean, Mexico, Central America and South America. Air Canada is a founding member of Star Alliance, the world's most comprehensive air transportation network serving 1,317 airports in 193 countries. Air Canada is the only

international network carrier in North America to receive a Four-Star ranking according to independent U.K. research firm Skytrax, which also named Air Canada the 2019 Best Airline in North America. For more information, please visit: aircanada.com/media, follow @AirCanada on Twitter and join Air Canada on Facebook.

About Transat AT Inc.

Transat A.T. Inc. is a leading integrated international tourism company specializing in holiday travel. It offers vacation packages, hotel stays and air travel under the Transat and Air Transat brands to some 60 destinations in more than 25 countries in the Americas and Europe. Transat is firmly committed to sustainable tourism development, as reflected in its multiple corporate responsibility initiatives over the past 12 years, and was awarded Travelife certification in 2018. Based in Montreal, the company has 5,000 employees. (TSX: TRZ).

SOURCE Air Canada

For further information: Air Canada, media@aircanada.ca, Internet: aircanada.com; Transat: Christophe Hennebelle, Vice-President, Human Resources and Corporate Affairs 514-987-1660, ext. 4584, Internet: www.transat.com

---

A STAR ALLIANCE MEMBER 