



AIR CANADA

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Acquisition of Transat: Clarification from Air Canada

MONTREAL, August 19, 2019 – Following a press release issued today by Pierre Karl Péladeau in the context of the definitive Arrangement Agreement providing for Air Canada's acquisition of all issued and outstanding shares of Transat, as well as the combination of the two companies, unanimously approved by Transat's Board of Directors, Air Canada would like to make the following clarification.

Contrary to statements by Mr. Péladeau, who himself tried to structure an offer but was unsuccessful, the transaction with Air Canada is advantageous and in the best interests not only of the two companies, but also of their employees, Quebec consumers and the Quebec economy. As a reminder, Air Canada raised its purchase price from \$13 to \$18 per share, for a total purchase price of approximately \$720 million. The transaction is in the public interest, as evidenced by Air Canada's statements regarding employment, the head office and brands, its presence and significant growth in Quebec and Montreal in recent years, and the great deal of support Quebec organizations have voiced in favour of the transaction. In addition, Letko Brosseau, Transat's largest shareholder at approximately 19.3% of outstanding shares, entered into a lock-up and support agreement, affirming its support for the acquisition by Air Canada.

Following are the highlights.

Highlights

- Transat's head office and key functions will be maintained in Montreal. The combination of Quebec-based leaders will provide increased job security for both companies' employees through greater growth prospects.
- Air Canada will maintain stability in its labour relations, a key element of the company's growth in recent years. Air Canada has negotiated long-term agreements with all of its unions, improving working conditions and restoring the solvency of its pension fund, which secures the retirement of thousands of employees and retirees in Quebec.
- The Air Transat and Transat brands will be maintained to complement the Air Canada, Air Canada Rouge and Air Canada Vacations brands.
- Montreal's role as a hub for air travel, featuring 35 routes added by Air Canada since 2012, will provide increased benefits for the communities of Montreal and Quebec.

Presence in Quebec

- Air Canada employs 36,000 people worldwide, including nearly 10,000 in Quebec. Its ambitious business strategy has created 2,600 jobs in the province since 2013.
- Air Canada serves 11 airports in Quebec. Montreal-Trudeau Airport is a strategic hub that connects Air Canada's Quebec and Atlantic Canada domestic network to its international flights.
- In 2016, Air Canada placed a historical order for up to 75 C Series (Airbus 220) aircraft (45 firm and 30 options).
- In 2017, Air Canada awarded a 10-year contract worth \$500 million to maintain the airframes in its fleet of 125 narrow-body aircraft (Airbus 320/Embraer E190) at the Trois-Rivières AAR facilities (formerly First Aviation), helping to retain 350 specialized jobs.
- Air Canada also contributes to the development of numerous companies in Quebec's aerospace cluster, such as Airbase (cabin interiors); A J Walter (components); Avianor (cabin reconfiguration); CASP Aerospace (components); and M1 Composites (aircraft noses).
- The Quebec economy will fully benefit from the presence in Montreal of a world champion focused on growth in aviation—the world's most international sector.
- The Air Canada Foundation supports a host of organizations and institutions in Quebec, including the Fondation du Centre hospitalier de l'Université de Montréal, the Jovia Foundation, the CHU Sainte-Justine Foundation, the Montreal Children's Hospital Foundation, the Foundation of Stars, the Hôpital Maisonneuve-Rosemont Foundation, the Royal Victoria Hospital Foundation, the Tip of the Toes Foundation, the Dreams Take Flight charitable organization, and the Breakfast Club of Canada.
- Air Canada has a community support program that assists a number of events and organizations in Quebec, including Montréal Pride, Women in Governance, the Grand défi Pierre Lavoie, the Musée national des beaux-arts du Québec, the Orchestre symphonique de Montréal, the Magdalen Islands sandcastle contest, the Tour de l'Abitibi, and the Festival en chanson de Petite-Vallée.

Presence in Montreal

- Air Canada's head office is one of the largest global headquarters in Quebec. With more than 2,000 employees, the head office, located in Montreal, is growing. In the past three years, it has hired over 500 managers. Air Canada has been named one of the top employers in Montreal by Mediacorp for the sixth consecutive year.
- All members of the Air Canada Executive Committee (the President and Chief Executive Officer, the Chief Financial Officer, the Chief Commercial Officer and the Executive Vice President, Operations), as well as other key members of the executive management team, are posted in Montreal, including the legal affairs, financial, commercial affairs, human resources, communications, network planning, information technology and cargo departments.
- Since 2012, Air Canada has launched 35 new routes between Montreal-Trudeau and global markets including Shanghai, Beijing, Tokyo, Tel Aviv, Lima, Sao Paulo and Casablanca. This growth has ranked Montreal among the 50 most internationally connected cities in the world. In 2018, Air Canada served more than 10 million passengers in Montreal.

Benefits for consumers and the economy

- Incorporating Transat into the Air Canada network will further enhance the offer of air travel in Quebec and strengthen Montreal's position as a world-class hub.
- Air Canada's North American connection network will support and develop Air Transat's international flights.
- Travellers will benefit from the merged companies' enhanced capabilities as well as access to new destinations, more connections and increased frequencies.

Quebec and union support

Air Canada and Transat have received formal support from several organizations with in-depth knowledge of aviation and tourism, including the UNIFOR union; ALPA, which represents Transat pilots; the Fédération des chambres de commerce du Québec; Tourisme Montréal; Aéroports de Montréal; the Chamber of Commerce of Metropolitan Montreal; the Quebec Employers' Council; a number of travel agencies and many other industry players. Here are a few excerpts from public statements:

"In the last five years, the number of passengers at the Montreal-Trudeau Airport has gone up by nearly 40%, and, with the combination of these two local champions, we anticipate accelerated growth, which will cement Montreal's status as a global hub."¹

-Philippe Rainville, President of Aéroports de Montréal

"We are pleased to see that the combination of Air Canada and Transat will create a Montreal-based global leader in leisure, tourism and travel distribution, offering choices to more destinations than ever from Montréal, more connecting traffic and promoting two-way tourism to and from the city" ¹

-Yves Lalumière, President and CEO of Tourisme Montréal

"Air Canada's acquisition of Transat would strengthen one of Montreal's flagship companies, which has to navigate an extremely competitive global landscape. The commitment to maintaining decision-making power regarding Transat's activities in Montreal also bodes well for job creation and retention in the metropolis. This is good news for our economy." ¹

-Michel Leblanc, President and CEO, Chamber of Commerce of Metropolitan Montreal

"The combination of these two Quebec companies will support job creation and Quebec's economic development. In addition to stimulating tourist activity, which is very important for many of our regions, the merger of Air Canada and Transat will create new business opportunities for the strategic sectors of innovation and aerospace."

-Yves-Thomas Dorval, President and CEO, Quebec Employers' Council

"We welcome the agreement that these two major companies have reached and the potential for growth that this combination represents. Possible synergies between the two carriers should ensure increased access to the regions by offering more international destinations and connection options to passengers from and to regional airports, especially across Quebec." ¹

-Stéphane Forget, President and CEO, Fédération des chambres de commerce du Québec (FCCQ)

"... Air Canada ... is clearly the best choice for both the workers and the customers. Only Air Canada is committed to continue operating Air Transat, as it serves an important part of the market, and maintaining its corporate presence in Montreal."^[2] – (July 16)

-Jerry Dias, President, Unifor

"We believe that a transaction with Air Canada will offer greater protection of the workforce and long-term job security for Air Transat's front-line employees." ^[3] (August 9)

-Air Line Pilots Association, International (ALPA)

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 offering a complete range of services 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/en/media, follow [@AirCanada](https://twitter.com/AirCanada) on Twitter and join Air Canada on [Facebook](https://facebook.com/AirCanada).

[1]<https://www.newswire.ca/news-releases/key-economic-stakeholders-congratulate-air-canada-and-transat-sa-on-their-skytrax-awards-and-on-signing-their-merger-agreement-882894703.html>

[2]<https://www.theglobeandmail.com/business/commentary/article-air-canada-purchase-of-transat-best-option/>

[3]<https://www.alpa.org/news-and-events/news-room/2019-08-12-transat-pilots-support-transat-at-air-canada-deal-fr>

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