



AIR CANADA

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Air Canada and Transat A.T. Inc. Agree to Terminate Arrangement Agreement

MONTREAL, April 2, 2021 /CNW Telbec/ - Air Canada and Transat A.T. Inc. ("Transat") announced today that they have mutually agreed to terminate the Arrangement Agreement for the proposed acquisition of Transat by Air Canada.

Air Canada and Transat had originally agreed in June 2019 on the acquisition, the terms of which were subsequently amended in August 2019 and then revised in October 2020 as a result of the severe economic impact of the COVID-19 pandemic.

As previously disclosed, the acquisition was conditional on the approval of various regulatory authorities, including the European Commission ("EC"). In order to meet that key condition, Air Canada offered and enhanced a significant package of remedies, which went beyond the commercially reasonable efforts required of Air Canada under the Arrangement Agreement and what has been traditionally accepted by the EC in previous airline merger cases. Following recent discussions with the EC, it has become evident, however, that the EC will not approve the acquisition based on the currently offered remedy package.

After careful consideration, Air Canada has concluded that providing additional, onerous remedies, which may still not secure an EC approval, would significantly compromise Air Canada's ability to compete internationally, negatively impacting customers, other stakeholders and future prospects as it recovers and rebuilds from the impact of the COVID-19 pandemic. Especially in this challenging environment, it is essential that Air Canada focus on creating the optimal conditions for its full recovery by preserving and leveraging all of its key strengths and assets including its strong employee culture.

Both Air Canada and Transat have agreed to terminate the Arrangement Agreement with Air Canada paying Transat a termination fee of \$12.5 million, and with Transat no longer under any obligation to pay Air Canada any fee should Transat be involved in another acquisition or similar transaction in the future.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This news release includes forward-looking statements within the meaning of applicable securities laws. Forward-looking statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements may involve, but are not limited to, comments relating to guidance, strategies, expectations, planned operations or future actions. Forward-looking statements are identified using terms and phrases such as "preliminary", "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. Forward-looking statements, by their nature, are based on assumptions, including those described herein 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, including the factors identified herein and in Air Canada's public disclosure file available at www.sedar.com including those factors identified in section 17 "Risk Factors" of Air Canada's 2020 MD&A. The forward-looking statements contained or incorporated by reference in this news release represent Air Canada's expectations as of the date of this news release (or as of the date they are otherwise stated to be made) and are subject to change after such date. However, Air Canada disclaims any intention or obligation to update or revise any forward-looking statements whether because of new information, future events or otherwise, except as required under applicable securities regulations.

About Air Canada

Air Canada is Canada's largest domestic and international airline and, in 2020, was among the top 20 largest airlines in the world. It is Canada's flag carrier and a founding member of Star Alliance, the world's most comprehensive air transportation network. 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. In 2020, Air Canada was named Global Traveler's Best Airline in North America for the second straight year. In January 2021, Air Canada received APEX's Diamond Status Certification for the Air Canada CleanCare+ biosafety program for managing COVID-19, the only airline in Canada to attain the highest APEX ranking. Air Canada has also committed to a net zero emissions goal from all global operations by 2050. For more information, please visit:

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