These materials are important and require your immediate attention. They require holders of Class A variable voting shares and Class B voting shares of Transat A.T. Inc. to make important decisions. If you are in doubt as to how to make such decisions, please contact your financial, legal, tax or other professional advisors.

If you require any assistance with the procedures for voting, including to complete your proxy, please contact Transat A.T. Inc.'s strategic shareholder advisor and proxy solicitation agent, Kingsdale Advisors, at 1-888-518-1552 (toll free within North America) or at 1-416-867-2272 (outside of North America) or by email at contactus@kingsdaleadvisors.com.

If you have any questions or require further information about the procedures to complete your letter of transmittal and election form, please contact AST Trust Company (Canada), our transfer agent and depositary, at 1-800-387-0825 (toll free within North America) or 1-416-682-3860 (outside of North America) or by email at inquiries@astfinancial.com.

Shareholders in the United States should read the section "Notice to Shareholders in the United States" on page xxi of the accompanying management proxy circular.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS OF TRANSAT A.T. INC.

TO BE HELD on December 15, 2020, at 10:00 a.m. (Montréal time), in a virtual only format at https://web.lumiagm.com/481453964

and MANAGEMENT PROXY CIRCULAR with respect to an ARRANGEMENT involving TRANSAT A.T. INC. and AIR CANADA

November 12, 2020

THE BOARD HAS UNANIMOUSLY DETERMINED THAT THE ARRANGEMENT IS IN THE BEST INTERESTS OF TRANSAT A.T. INC. AND IS FAIR TO THE SHAREHOLDERS, AND UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE

IN FAVOUR

OF THE ARRANGEMENT RESOLUTION

LETTER TO SHAREHOLDERS

Dear Shareholders:

The board of directors (the "Board") of Transat A.T. Inc. (the "Corporation" or "Transat" or the terms "we," "us", "our" and "ours" also referring to Transat A.T. Inc. and to one or more of its subsidiaries, or to Transat A.T. Inc. alone, depending on the context) invites you to attend and participate at the special meeting (the "Meeting") of the holders of Class A variable voting shares and Class B voting shares (collectively, the "Voting Shares") of the Corporation which will be held on December 15, 2020, at 10:00 a.m. (Montréal time), in a virtual only format at https://web.lumiagm.com/481453964. In order to comply with measures imposed by the federal and provincial governments related to the COVID-19 pandemic, and to mitigate risks to the health and safety of our communities, shareholders, employees and other stakeholders, unless we advise otherwise by way of press release and on our website (https://www.transat.com), the Meeting will be conducted virtually only via live audio webcast online at https://web.lumiagm.com/481453964. Shareholders will have an equal opportunity to participate at the Meeting online regardless of their geographic location, however, the vast majority of Shareholders vote by proxy in advance and are encouraged to vote by proxy ahead of the Meeting.

At the Meeting, pursuant to the interim order of the Québec Superior Court, the holders of Voting Shares (the "Shareholders") of the Corporation will be asked to consider and, if deemed advisable, to approve, with or without variation, a special resolution (the "Arrangement Resolution") approving a statutory plan of arrangement (the "Arrangement") pursuant to section 192 of the *Canada Business Corporations Act* ("CBCA") involving Transat and Air Canada (the "Purchaser" or "Air Canada"). Under the terms of the Arrangement, Shareholders may elect to receive, for each Voting Share held, either (i) $5.00 in cash (the "Cash Consideration"), or (ii) the share consideration consisting of (A) with respect to a Class A Variable Voting Share in the capital of the Corporation, 0.2862 class A variable voting share in the capital of the Purchaser, and (B) with respect to a Class B Voting Share in the capital of the Corporation, 0.2862 class B voting share in the capital of the Purchaser (the "Share Consideration", and, with respect to any Voting Share, the Cash Consideration or the Share Consideration being the "Consideration"), at the effective time of the Arrangement as more fully described in the accompanying management proxy circular (the "Circular"). The elections made by Shareholders will be subject to rounding and will not be subject to proration. The class A variable voting shares and class B voting shares of Air Canada (the "Air Canada Shares") issued to Shareholders in connection with the Arrangement will be issued based on a reference price of $17.47 per Air Canada Share, which approximates the volume-weighted average trading price of the Air Canada Shares for the thirty (30) trading days preceding September 23, 2020, being the date on which the Consideration under the Arrangement Agreement was under negotiation with Air Canada. Based on the number of issued and outstanding Voting Shares as of October 9, 2020, the date of the arrangement agreement between Transat and the Purchaser (the "Arrangement Agreement") relating to the Arrangement, the acquisition of 100% of the equity of Transat represents a total consideration of approximately $189 million.

Transat and Air Canada have entered into a revised Arrangement Agreement which terminates and replaces the previous arrangement agreement between Transat and Air Canada dated June 27, 2019, as subsequently amended on August 11, 2019 (the "2019 Arrangement Agreement"), which was presented to Shareholders in the Transat management proxy circular dated July 19, 2019 and approved by Shareholders at the special meeting of Shareholders held on August 23, 2019, and which also contemplated the acquisition of all the Voting Shares.

Consummating the 2019 Arrangement Agreement was no longer an option that was viable given the full set of circumstances the Corporation is facing. The COVID-19 pandemic is the worst crisis since the founding of the Corporation 33 years ago and has had devastating effects on the Corporation's operations. From April 1, 2020 through to July 22, 2020, the Corporation suspended all its flights, and has since resumed only a small portion of such flights as demand remains greatly affected by restrictions on non-essential travel, quarantine requirements and border closures. In the face of these suspensions and reductions in operations, the Corporation took a number of measures to preserve its liquidity, including: the temporary layoff of a large part of its personnel, reaching approximately 85% at one point and now approximately two thirds; the negotiation of rent deferrals with aircraft lessors and owners of premises it occupies; and a draw down on its

$50.0 million revolving credit facility. Still, the dramatic reduction in operations and revenues has significantly and adversely impacted the Corporation's cash position, and is expected to continue to do so for the foreseeable future.

Faced with the uncertainty related to the COVID-19 pandemic and a second wave underway, continuing restrictions on non-essential travel and border closures, and its rapidly depleting cash position, Transat needed to put in place additional sources of financing. The terms of the 2019 Arrangement Agreement restricted Transat's ability to do so without Air Canada's consent. As part of the negotiation leading to the revised Arrangement Agreement, Transat has been able to implement a new $250 million short-term loan facility, as well as certain critical amendments to its existing senior loan facility providing Transat with additional flexibility in the context of the current business and economic environment.

Another key factor in Transat's decision to enter into the revised Arrangement Agreement was the low likelihood of obtaining the necessary regulatory approvals before the deadline of December 27, 2020 set under the initial transaction, taking into account the significant and adverse impact of the pandemic on the Purchaser's original motivations for completing the transaction at the price set initially. The process of obtaining the required regulatory approvals for the transaction under the 2019 Arrangement Agreement has been significantly and adversely affected by the pandemic and its impact on the industry as a whole. The market conditions of the global industry have been completely transformed. Among other things, the vast majority of North American, European and international air carriers have requested financial assistance measures, but have had to implement reductions in capacity. With the passage of time, the concerns raised by regulatory agencies and the challenges posed by the post COVID-19 environment, the Board came to the conclusion that the transaction proposed under the 2019 Arrangement Agreement was unlikely to obtain the required regulatory approvals prior to the ultimate outside date of December 27, 2020 and was therefore unlikely to be consummated. The Board believes that revised terms will provide the parties with greater incentives to address the concerns raised by regulatory agencies in order to obtain the regulatory approvals, including with respect to the offer of remedies which should provide a greater chance of obtaining the required approvals from regulatory authorities prior to the newly extended outside date of February 15, 2021.

Based on the foregoing and other factors described in further details in the Circular, the Board determined that the revised transaction, with the implementation of the new financing, is the best prospect currently available for Transat's continued viability and the preservation of Shareholder value relative to the alternatives reasonably available to it in the context of the 2019 Arrangement Agreement, and therefore represents the best option for all Transat stakeholders, including Shareholders, employees, creditors, suppliers, customers and partners.

Moreover, although the Corporation has been able to put in place the new short term loan facility and amendments to its senior loan facility, such arrangements are for a limited duration and will need to be replaced if the Arrangement is not consummated on or before the new outside date of February 15, 2021. In particular, the new short term loan facility matures on the earlier of March 31, 2021 and the closing of the Arrangement. Furthermore, the suspension of the application of financial ratios under the Corporation's senior loan facility and the new short term loan facility expires on January 31, 2021, after which time, absent any extension, the Corporation could be in default of its obligations and the term of its borrowings could be accelerated. Pursuant to the terms of the Arrangement Agreement, the Corporation's ability to put in place new sources of financing is restricted and requires the Purchaser's consent. As a result, if the requisite Shareholder and regulatory approvals are not obtained and the Arrangement is not consummated on or prior to the Outside Date, the Corporation will need to address the challenges posed by its cash position and the maturing lending facilities. If the Corporation is not able to renew maturing facilities at acceptable conditions or find financing alternatives, its financial position and business prospects could be materially and adversely affected.

Furthermore, if the Arrangement is not approved by Shareholders and otherwise not consummated, there is a risk that Transat's lenders, lessors, credit card processors, clients and other trade partners become more preoccupied by Transat's financial position, prospects and ability to execute its strategic plan as a going concern, which could result in more onerous credit terms, repayment obligations, an inability to refinance maturing indebtedness or find new sources of financing,

restricted access to goods and services, and/or reduced business, all of which could significantly and adversely affect Transat's cash flows and ability to continue as a going concern.

The purchase price per Voting Share offered under the Arrangement represents a premium of 31.6% to the 20-day volume weighted average price of the Voting Shares of the Corporation on the Toronto Stock Exchange (the "TSX") on October 8, 2020, the date preceding the date of execution of the Arrangement Agreement.

Shareholders should review the accompanying notice of special meeting of Shareholders and Circular which describes, among other things, the background to the Arrangement as well as the reasons for the determinations and recommendations of a special committee comprised exclusively of independent directors, namely Jean-Yves Leblanc (Chair), Raymond Bachand, W. Brian Edwards, Jacques Simoneau and Philippe Sureau (the "Special Committee") and the Board. The Circular also contains a detailed description of the Arrangement, including certain risk factors relating to the Arrangement. You should consider carefully all of the information in the Circular. If you require assistance, you are urged to consult your financial, legal, tax or other professional advisor.

The Special Committee retained the services of National Bank Financial Inc. ("NBF"), as financial advisor, and BMO Nesbitt Burns Inc. ("BMO") to provide opinions as to the fairness, from a financial point of view, of the Consideration to be received by the Shareholders in connection with the Arrangement. NBF and BMO each provided an opinion dated October 9, 2020 (together, the "Fairness Opinions") to the effect that, subject to the scope of review, assumptions, qualifications and limitations set forth therein, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Shareholders.

The Board has received the Fairness Opinions and has, after receiving advice from its financial adviser and outside legal counsel and the unanimous recommendation of the Special Committee and consideration of all relevant factors including the terms of the 2019 Arrangement Agreement and the status of the transaction contemplated thereby, unanimously determined that the Arrangement Resolution is in the best interests of the Corporation and is fair to the Shareholders, and the Board unanimously recommends that Shareholders vote FOR the Arrangement Resolution.

All the directors and Executive Officers of the Corporation, who collectively own or exercise control or direction over approximately 3.55% of the Voting Shares, have entered into Support and Voting Agreements pursuant to which they have agreed, subject to the terms thereof, to vote in favour of the Arrangement Agreement.

The Arrangement is subject to certain closing conditions, including court approval and approval of the Arrangement Resolution by (i) at least 66 2/3% of the votes cast by the Shareholders, voting together as a single class, participating or represented by proxy at the Meeting and entitled to vote, and (ii) a simple majority of the votes cast by the Shareholders, voting together as a single class, participating or represented by proxy at the Meeting and entitled to vote, excluding those Shareholders whose votes are required to be excluded in determining minority approval pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions.* In addition, the Arrangement is subject to receipt of applicable regulatory approvals, including the approvals under the Competition Act (Canada), the Canada Transportation Act and the European Union Council Regulation (EC) No. 139/2004 (the "Key Regulatory Approvals") and other customary closing conditions for a transaction of this nature. If the necessary Key Regulatory Approvals are obtained in a timely manner, subject to the other customary conditions contained in the Arrangement Agreement being satisfied or waived, it is anticipated that the Arrangement will be completed late January or early February 2021. Further details of the Arrangement are set out in the accompanying Circular.

Your vote is important regardless of the number of Voting Shares you own. If you are unable to participate in the Meeting, we encourage you to take the time now to complete, sign, date and return the enclosed form of proxy or voting instruction form, as applicable, so that your shares can be voted at the Meeting in accordance with your instructions. If you are a registered Shareholder, we encourage you to complete, sign, date and return the enclosed letter of transmittal and

election form, which will help the Corporation to arrange for the prompt payment or delivery of consideration for your shares when the Arrangement is completed. If you are a non-registered Shareholder, we encourage you to contact your intermediary in order to properly register your election and arrange for the prompt payment or delivery of consideration for your shares when the Arrangement is completed.

You are also advised that registered Shareholders have been granted the right to dissent in respect to the Arrangement. Please review the Circular carefully if you are contemplating exercising these rights.

Since November 16, 2015, the Class A variable voting shares and the Class B voting shares trade on the TSX under a single ticker designated "TRZ", bearing CUSIP number 89351T401 and are designated for purposes of trading on the TSX and reporting in brokerage accounts under the single designation "Voting and Variable Voting Shares" of Transat.

If you have any questions or require assistance with voting your shares by proxy, please contact
our strategic shareholder advisor and proxy solicitation agent at:

KINGSDALE Advisors

Toll Free within North America: 1-888-518-1552
Email: contactus@kingsdaleadvisors.com
Collect Call outside North America: 1-416-867-2272

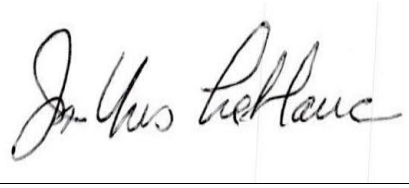
Montréal, Québec, November 12, 2020.

On behalf of the Board, we would like to take this opportunity to thank you for the support you have shown as Shareholders of the Corporation.

Yours truly,

Transat A.T. Inc.

Jean-Marc Eustache
Chairman of the Board, President and Chief Executive Officer



Jean-Yves Leblanc
Chairman of the Special Committee

WHAT'S INSIDE THIS DOCUMENT

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Montréal, Québec, November 12, 2020.

Notice is hereby given, in accordance with an interim order of the Superior Court of Québec dated November 10, 2020 (the "Interim Order"), that a special meeting (the "Meeting") of the holders (the "Shareholders") of Class A variable voting shares and Class B voting shares (the "Voting Shares") of Transat A.T. Inc. (the "Corporation" or "Transat") will be held on December 15, 2020, at 10:00 a.m. (Montréal time), in a virtual only format at https://web.lumiagm.com/481453964. In order to comply with measures imposed by the federal and provincial governments related to the COVID-19 pandemic, and to mitigate risks to the health and safety of our communities, shareholders, employees and other stakeholders, unless we advise otherwise by way of press release and on our website (https://www.transat.com), the Meeting will be conducted virtually only via live audio webcast online at https://web.lumiagm.com/481453964. Shareholders will have an equal opportunity to participate at the Meeting online regardless of their geographic location, however, the vast majority of Shareholders vote by proxy in advance and are encouraged to vote by proxy ahead of the Meeting.

The Meeting will be held for the following purposes:

1. to consider, and, if deemed advisable, to approve, with or without variation, a special resolution (the "Arrangement Resolution"), the full text of which is set forth in Schedule A of the accompanying management proxy circular (the "Circular"), to approve an arrangement (the "Arrangement") pursuant to section 192 of the *Canada Business Corporations Act* (the "CBCA") involving the Corporation and Air Canada, the whole as more fully described in the Circular; and

2. to transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

The board of directors of the Corporation has set the close of business on November 10, 2020, as the record date for determining the Shareholders who are entitled to receive notice of, and to vote at, the Meeting. Only persons shown on the register of Shareholders at the close of business on that date, or their proxy holders, will be entitled to participate at the Meeting and vote on the Arrangement Resolution.

Accompanying this notice of special meeting is the Circular, a form of proxy or a voting instruction form and a letter of transmittal and election form (the "Letter of Transmittal and Election Form"). The accompanying Circular provides information relating to the matters to be addressed at the Meeting and is incorporated into this notice of Meeting. Any adjourned or postponed meeting resulting from an adjournment or postponement of the Meeting will be held at a time and place to be specified either by Transat before the Meeting or at the discretion of the Chair at the Meeting. In order for registered Shareholders to receive the consideration that they are entitled to upon the completion of the Arrangement, such registered Shareholders must complete and sign the Letter of Transmittal and Election Form and return it, and otherwise follow the procedures set out in the Letter of Transmittal and Election Form.

Registered Shareholders and duly appointed proxyholders will be able to participate at the Meeting, ask questions and vote, all in real time, provided they are connected to the internet and comply with all of the requirements set out in the Circular. Non-registered (or beneficial) Shareholders who have not duly appointed themselves as proxyholder will be able to attend the Meeting as guests, but guests will not be able to participate, interact, ask questions or vote at the Meeting.

Whether or not they are able to participate at the Meeting, Shareholders are urged to vote as soon as possible electronically, by mail or by fax in the manner set forth in the instructions found on the form of proxy or voting instruction form which accompanies this notice of Meeting. Votes must be received by AST Trust Company (Canada) not later than 5:00 p.m. (Montréal time) on December 11, 2020 (or 48 hours, excluding Saturdays, Sundays and statutory holidays, prior to the commencement of the reconvened Meeting if the Meeting is adjourned or postponed). The time limit for the deposit of proxies may be waived or extended by the Chair of the Meeting at his discretion without notice.

Pursuant to the Interim Order, registered Shareholders of the Corporation have the right to dissent with respect to the Arrangement Resolution and, if the Arrangement becomes effective, to be paid the fair value of their Voting Shares in

accordance with the provisions of section 190 of the CBCA, as modified by the Interim Order and the plan of arrangement pertaining to the Arrangement (the "Plan of Arrangement"). A registered Shareholder wishing to exercise rights of dissent with respect to the Arrangement must send to the Corporation a written objection to the Arrangement Resolution, which written objection must be received by the Corporation at Transat A.T. Inc., Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montréal, Québec, H2X 4C2, Attention: Bernard Bussières, Vice-President, General Counsel and Corporate Secretary, with a copy to (i) Fasken Martineau DuMoulin LLP, 800 Square-Victoria, Suite 3500, Montréal, Québec, Canada, H4Z 1E9, Attention: Mtre Alain Riendeau & Mtre Brandon Farber, email: ariendeau@fasken.com & bfarber@fasken.com, (ii) Stikeman Elliott LLP, 1155 René-Lévesque Blvd. W., 41st Floor, Montréal Québec, H3B 3V2, Attention: Mtre Stéphanie Lapierre, email: slapierre@stikeman.com, and (iii) AST Trust Company (Canada), 1 Toronto Street, Suite 1200, Toronto, Ontario, M5C 2V6, Attention: Proxy Department, or at 2001 Robert-Bourassa Blvd., Suite 1600, Montréal, Québec, H3A 2A6, Attention: Proxy Department by no later than 5:00 p.m. (Montréal time) on December 11, 2020 (or 48 hours, excluding Saturdays, Sundays and statutory holidays, prior to the commencement of the reconvened Meeting if the Meeting is adjourned or postponed), and must otherwise strictly comply with the dissent procedures described in the accompanying Circular. The Shareholders' rights to dissent is more particularly described in the accompanying Circular, and copies of the Plan of Arrangement, the Interim Order and the text of section 190 of the CBCA are set forth in Schedule B, Schedule E and Schedule G, respectively, of the Circular. Failure to strictly comply with the requirements set forth in section 190 of the CBCA, as modified by the Interim Order and the Plan of Arrangement, may result in the loss of any right of dissent.

Montréal, Québec, November 12, 2020.

BY ORDER OF THE BOARD

Transat A.T. Inc.

Bernard Bussières
Vice-President, General Counsel and Corporate Secretary

MANAGEMENT PROXY CIRCULAR

INFORMATION REGARDING THE MEETING

Notice-and-Access

The Corporation has elected not to use the notice-and-access procedures under applicable Securities Laws to send the proxy-related materials to Registered Shareholders and beneficial owners of the Voting Shares.

Currency

All currency amounts referred to in this Circular, unless otherwise stated, are expressed in Canadian dollars.

Payment of the Cash Consideration (if so elected) in U.S. Dollars

If you are a Registered Shareholder, you will receive the Cash Consideration (if so elected or deemed elected) per Voting Share in Canadian dollars unless you exercise the right to elect, in your Letter of Transmittal and Election Form, to receive the Cash Consideration (if so elected or deemed elected) per Voting Share in respect of your Voting Shares in U.S. dollars.

If you are a Non-Registered Shareholder, you will receive the Cash Consideration (if so elected or deemed elected) per Voting Share in Canadian dollars unless you contact the Intermediary in whose name your Voting Shares are registered and request that the Intermediary make an election on your behalf. If your Intermediary does not make an election on your behalf, you will receive payment of the Cash Consideration (if so elected or deemed elected) in Canadian dollars.

The exchange rate that will be used to convert payments from Canadian dollars into U.S. dollars will be the rate established by AST, in its capacity as foreign exchange service provider to Transat, on the date the funds are converted, which rate will be based on the prevailing market rate on the date the funds are converted. The risk of any fluctuations in such rates, including risks relating to the particular date and time at which funds are converted, will be solely borne by the Shareholder. AST will act as principal in such currency conversion transactions.

Exchange Rate Information

The following table sets forth: (i) the rates of exchange for Canadian dollars, expressed in U.S. dollars, in effect at the end of each of the periods indicated; and (ii) the high, low and average exchange rates during each such periods, in each case based on the rates published on the Bank of Canada's website as being in effect by 4:30 pm Eastern time on each business day.

	Year ended December 31		
	2019	2018	2017
Rate at end of period	0.76994	0.73303	0.79713
Average rate during period	0.75369	0.77212	0.77085
High	0.76994	0.81380	0.82454
Low	0.73529	0.73303	0.72764

On November 12, 2020, the Bank of Canada daily average exchange rate for C$1.00 was US$0.7620.

Glossary of Terms

Capitalized terms used in this Circular without definition have the meanings ascribed to them in the Glossary of Terms.

Your Questions and our Answers on Proxy Voting

1. Q: WHO IS SOLICITING MY PROXY?

   A: Transat's management is soliciting your proxy for use at the Meeting to be held virtually on December 15, 2020, at 10:00 a.m. (Montréal time) at https://web.lumiagm.com/481453964, and any adjournment or postponement thereof. Proxies are solicited primarily by mail. However, proxies may also be solicited by other means of communication or directly by officers or employees of Transat, but without additional compensation. Transat will bear the cost of the solicitation.

2. Q: AM I A REGISTERED SHAREHOLDER OR A NON-REGISTERED SHAREHOLDER?

   A: Registered holders of Voting Shares ("Registered Shareholders") hold Voting Shares of Transat registered in their names and such shares are generally evidenced by a share certificate.

   However, most holders of Voting Shares ("Non-Registered Shareholders") beneficially own their Voting Shares through a depositary or nominee such as a trustee, financial institution or securities broker (referred to in this Circular as "Intermediaries"). If your Voting Shares appear on an account statement provided by your bank, broker or financial advisor, you are, in all likelihood, a Non-Registered Shareholder. Non-Registered Shareholders should carefully follow the instructions of their Intermediaries, in addition to the instructions set forth in this Circular, to ensure that their Voting Shares are voted at the Meeting in accordance with such Shareholder's instructions.

3. Q: HOW CAN I PARTICIPATE AT THE MEETING?

   A: In order to comply with measures imposed by the federal and provincial governments related to the COVID-19 pandemic, and to mitigate risks to the health and safety of our communities, shareholders, employees and other stakeholders, unless we advise otherwise by way of press release and on our website (https://www.transat.com), the Meeting will be conducted virtually only via live audio webcast online at https://web.lumiagm.com/481453964. Shareholders will not be able to participate in the Meeting in person. Shareholders will have an equal opportunity to participate at the Meeting online regardless of their geographic location, however, the vast majority of Shareholders vote by proxy in advance and are encouraged to vote by proxy ahead of the Meeting.

   Participating at the Meeting online allows Registered Shareholders as well as duly appointed proxyholders and appointees, including Non-Registered Shareholders who have appointed themselves or another person as an appointee, to participate at the Meeting, engage with other Shareholders and ask questions, all in real time. Registered Shareholders as well as duly appointed proxyholders and appointees can vote at the appropriate time during the Meeting. Guests, including Non-Registered Shareholders who have not duly appointed themselves or another person as an appointee, can log into the Meeting as set out below. Guests will be able to attend the Meeting but cannot participate, interact, ask questions or vote.

To access the Meeting, follow the instructions below:

Step 1: Log in online at https://web.lumiagm.com/481453964.

Step 2: Follow these instructions:

- Registered Shareholders: Click "I have a control number" and then enter your control number and the password "transat2020" (case sensitive). Your control number is located on the form of proxy or in the email notification you received from AST, our transfer agent (the "Control Number"). If you use your Control Number to log into the Meeting, any vote you cast at the Meeting will revoke any proxy you previously submitted. If you do not wish revoke a previously submitted proxy, you should attend the Meeting as a guest and not vote during the Meeting. Guests will be able to listen to the virtual Meeting but will not be able to participate, interact, ask questions or vote at the Meeting.

- Duly Appointed Proxyholders: Click "I have a control number" and then enter your 13-digit proxyholder control number and the password "transat2020" (case sensitive). Only proxyholders who have been duly appointed and registered with AST by a Registered Shareholder as described below under "How do I appoint a third-party as proxy or appointee?" will receive a 13-digit proxyholder control number by email from AST after the proxy voting deadline has passed. Such 13-digit proxyholder control number will differ from the Control Number set forth on the form of proxy provided to a Registered Shareholder by AST.

- Non-Registered Shareholders and other Duly Appointed Appointees: Click "I have a control number" and then enter your 13-digit appointee control number and the password "transat2020" (case sensitive). Only Non-Registered Shareholders who have duly appointed and registered themselves as appointees with AST as described below under "How do I appoint a third-party as proxy or appointee?" will receive a 13-digit appointee control number by email from AST after the proxy voting deadline has passed. Such 13-digit appointee control number will differ from the "control number" set forth on the voting instruction form provided to a Non-Registered Shareholder by AST.

- Guests: Click "Guest" and then complete the online form.

Step 3: Please complete the Declaration of Ownership And Control in accordance with the instructions provided to you in the online platform.

If you lose your Control Number, your 13-digit proxyholder control number or your 13-digit appointee control number, call AST at 1-800-387-0825 (within North America) or 1-416-682-3860 (outside of North America).

We recommend that you log in at least 15 minutes before the start time of the Meeting. It is important to ensure you are connected to the internet at all times in order to vote when balloting commences. You are responsible for ensuring internet connectivity for the duration of the Meeting.

4. Q: HOW DO I APPOINT A THIRD-PARTY AS PROXY OR APPOINTEE?

A: If you are a Shareholder and want to appoint a person other than the management nominees set forth in the form of proxy or voting instruction form as proxyholder or appointee, as the case may be, including if you are a Non-Registered Shareholder who wishes to appoint himself or herself, as the case may be, as an appointee to participate, interact, ask questions or vote at the Meeting, then you MUST submit your proxy or voting instruction form, as applicable, appointing such third party proxyholder or appointee, as the case may be, AND register the third party proxyholder or appointee, as the case may be, as described below. Registering your proxyholder or appointee, as the case may be, is an additional step (Step 2) to be completed AFTER you have submitted your proxy or voting instruction form (Step 1). Failure to register the proxyholder or appointee, as the case may be, will result in the proxyholder or appointee, as the case may be, not receiving a 13-digit proxyholder control number or 13-digit appointee control number, as applicable, which is required to participate and vote at the Meeting. Such 13-digit proxyholder control number or 13-digit appointee control number, as the case may be, will differ from the Control Number set forth on the form of proxy or the "control number" set forth on the voting instruction form, as the case may be, provided by AST.

Step 1: Submit your proxy or your voting instruction form. To appoint a third party proxyholder or appointee, as the case may be, insert such person's name in the blank space provided in the form of proxy or voting instruction form (if permitted) and follow the instructions for submitting such form of proxy or voting instruction form. If you are a Non-Registered Shareholder located in the United States, you must also provide AST with a duly completed legal proxy if you wish to participate, interact, ask questions or vote at the Meeting or, if permitted, appoint a third party as your appointee; see immediately below under this section for additional details.

Step 2: Register your proxyholder or appointee. To register a proxyholder or an appointee, as the case may be, Shareholders (including Non-Registered Shareholders who wish to appoint themselves or another person as an appointee) MUST call AST at 1-866-751-6315 (within North America) or 1-212-235-5754 (outside of North America) by no later than 5:00 p.m. (Montreal time) on December 11, 2020. AST will then proceed to provide your proxyholder or appointee, as the case may be, with a 13-digit proxyholder control number or a 13-digit appointee control number, as the case may be, via email which can be used by such person to participate, interact, ask questions or vote at the Meeting. Such 13-digit proxyholder control number or 13-digit appointee control number, as the case may be, will differ from the Control Number set forth on the form of proxy or the "control number" set forth on the voting instruction form, as the case may be, provided by AST.

Non-Registered Shareholders located in the United States MUST ALSO, as an additional third step, provide a duly completed legal proxy to AST either by mail at 1, Toronto Street, Suite 1200, Toronto, ON M5C 2V6, by fax at 1-416-368-2502 or by email at proxyvote@astfinancial.com (in any case, to be received by 5:00 p.m. (Montréal time) on December 11, 2020) AND call AST at 1-866-751-6315 by no later than 5:00 p.m. (Montréal time) on December 11, 2020, so that AST may provide the Non-Registered Shareholder with a 13-digit appointee control number via email in time for the Meeting.

Non-Registered Shareholders who have not duly appointed themselves as appointee will not be able to participate, interact, ask questions or vote at the Meeting, but will be able to attend as a guest.

5. Q: HOW WILL THESE MATTERS BE DECIDED AT THE MEETING?

A: In order to be approved, the Arrangement Resolution requires the affirmative votes of (i) at least 66 2/3% of the votes cast on the special Arrangement Resolution by the Shareholders, voting together as a single class, participating or represented by proxy at the Meeting and entitled to vote, and (ii) a simple majority of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class, participating or represented by proxy at the Meeting and entitled to vote, excluding those Shareholders whose votes are required to be excluded in determining minority approval pursuant to Regulation 61-101, whom, as of the date hereof, consist of Mr. Jean-Marc Eustache.

The votes associated with the Voting Shares are subject to proration in certain circumstances, as set forth under "Q: What are the restrictions on ownership of my voting shares?" immediately below.

6. Q: WHAT ARE THE RESTRICTIONS ON OWNERSHIP OF MY VOTING SHARES?

A: Pursuant to the Canada Transportation Act, S.C. 1996, c. 10 (the "CT Act"), Air Transat A.T. Inc. ("Air Transat"), a wholly-owned subsidiary of the Corporation, must at all times be able to establish that it is "Canadian" within the meaning of the CT Act to be entitled to hold the licences necessary to operate an air service. Because Air Transat is a wholly-owned subsidiary of Transat, Transat must qualify as "Canadian" in order for Air Transat to qualify as "Canadian".

In order to remain "Canadian", Transat's articles of arrangement provide for Class A variable voting shares and Class B voting shares. The Class A variable voting shares can only be owned or controlled by non-Canadians, while the Class B voting shares can only be owned or controlled by Canadians. Any outstanding Class B voting share is converted into a Class A variable voting share on a one for one basis, automatically and without any further act of the Corporation or the holder, if such Class B voting share becomes owned or controlled by a person who is not a Canadian. Conversely, in the event that a Class A variable voting share becomes held by a Canadian, it will be converted into a Class B variable voting share on a one for one basis automatically and without any further act of the Corporation or the holder.

Following the amendment to the Corporation's articles of incorporation on May 8, 2019, in accordance with a plan of arrangement under the CBCA, the whole to align the restrictions on the level of non-Canadian ownership and voting control with those prescribed by the definition of "Canadian" in Subsection 55(1) in the CT Act, Transat's Class A variable voting shares carry one vote per Class A variable voting share at any meeting of shareholders subject to an automatic reduction of the voting rights attached thereto in the event that (i) any single non-Canadian, either individually or in affiliation with any other person, holds a number of Class A variable voting shares that exceeds 25% of either the total number of Voting Shares or the number of votes that would be cast at a given meeting of shareholders, (ii) all non-Canadians authorized to provide air services, together with such persons in affiliation with them hold, in the aggregate, a number of Class A variable voting shares that exceeds 25% of either the total number of Voting Shares or the total number of votes that would be cast at a given meeting of shareholders, and (iii) the number of issued and outstanding Class A variable voting shares exceeds 49% of either the total number of

all of the Corporation's issued and outstanding Voting Shares or the total number of votes that would be cast at a given meeting of shareholders. If any of the above-mentioned applicable limitations are exceeded, the votes that should be attributed to holders of Class A variable voting shares will be attributed as follows:

- first, if applicable, there will be a reduction in the voting rights of any single non-Canadian (including a single non-Canadian authorized to provide air service), either individually or in affiliation with any other person, carrying more than 25% of the votes to ensure that such non-Canadians (including such persons in affiliation with them) never carry more than 25% of the votes which holders of Voting Shares cast at any meeting of Shareholders;

- second, if required, and after giving effect to the first proration set out above, a further proportional reduction of the voting rights of all non-Canadians authorized to provide an air service (including such persons in affiliation with them) to ensure that such non-Canadians authorized to provide air service, in the aggregate, never carry more than 25% of the votes which holders of Voting Shares cast at any meeting of Shareholders; and

- third, if required and after giving effect to the first two (2) prorations set out above, a proportional reduction of the voting rights for the Class A variable voting shares to ensure that non-Canadians never carry, in the aggregate, more than 49% of the votes which holders of Voting Shares cast at any meeting of Shareholders.

The holders of Class A variable voting shares and Class B voting shares vote together as a single class except if the holders of a given class are entitled to vote as a class, as provided in the CBCA. Only Shareholders participating or represented by proxy at a meeting and legally entitled to vote thereat can exercise or cast votes attaching to their Voting Shares.

The Board, pursuant to its powers under Transat By-law 2012-2 and the regulations under the CBCA, and in accordance with the provisions of Transat's Articles and the CT Act, has implemented a series of administrative measures to ensure that the Class B voting shares are owned and controlled by Canadians and the Class A variable voting shares are owned or controlled by non-Canadians at all times (the "Ownership Restrictions"). These measures are more particularly reflected in the form of declaration of ownership and control. Shareholders wishing to vote at the Meeting either by: (i) completing and delivering a form of proxy or a voting instruction form, or (ii) by participating and voting at the Meeting, will be required to complete a declaration of ownership and control in order to enable Transat to comply with the Ownership Restrictions. If you do not duly complete the declaration or if Transat or its transfer agent, AST, determines that you indicated (inadvertently or otherwise) that you own or control the wrong class of shares, the automatic conversion provided for in our Articles shall be triggered. Where a statement made in a declaration of ownership appears inconsistent (inadvertently or otherwise) with the information held by Transat, Transat may take any action that it deems appropriate to ensure compliance with the Ownership Restrictions. Further, if a declaration of ownership and control is not completed or if it is determined by the Corporation or its transfer agent, AST, that you made an incorrect declaration (through inadvertence or otherwise), the shares represented by such proxy will be deemed to be owned and controlled by a person that is a non-Canadian authorized to provide an air service. Such declaration is contained in the accompanying form of proxy (or in the voting instruction form provided to you if you are a Non-Registered Shareholder).

The Corporation has also previously obtained an exemption from the AMF and the Ontario Securities Commission, providing that the outstanding Class A variable voting shares and the outstanding Class B voting shares of the Corporation are to be considered as a single class of shares for the application of the takeover bid rules and early warning reporting rules, contained under Securities Laws. A copy of the decision is available under Transat's profile on SEDAR at www.sedar.com. In addition, in connection with the Arrangement, the Corporation has applied for and received from the applicable Securities Authorities an exemptive relief providing that the outstanding Class A variable voting shares and the outstanding Class B voting shares of the Corporation are to be considered as a single class of shares, voting together, for purposes of the simple majority of the votes cast by Shareholders on the Arrangement Resolution to be obtained in connection with the "minority approval" required per Regulation 61-101. See "Canadian Securities Law Matters - Application of Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions".

7. Q: HOW MANY SHARES CARRY VOTING RIGHTS AND HOW MANY VOTES DO I HAVE?

A: As at November 12, 2020 a total of 37,747,090 Voting Shares of the share capital of Transat were issued and outstanding. You are entitled to receive notice of, and vote at the Meeting or at any adjournment or postponement thereof, if you were a holder of Voting Shares on November 10, 2020, the Record Date for the Meeting.

Each Class A variable voting share carries one vote per Class A variable voting share, and each Class B voting share also carries one vote per Class B voting share, in both cases, unless the adjustment rules mentioned under Question 6 above apply.

8. Q: WHO ARE OUR PRINCIPAL SHAREHOLDERS?

A: To the knowledge of our directors and officers, and based on publicly available information, as at November 12, 2020, the only persons who beneficially own or exercise control or direction over 10% or more of the outstanding Voting Shares are:

(i) Letko, Brosseau & Associates Inc., which held 5,170,235 Class B voting shares, representing approximately 13.7% of all issued and outstanding Voting Shares; and

(ii) Fonds de solidarité FTQ, which held 4,360,426 Class B voting shares, representing approximately 11.55% of all issued and outstanding Voting Shares.

9. Q: HOW CAN A REGISTERED SHAREHOLDER OR PROXYHOLDER VOTE?

A: If you are a Registered Shareholder or a duly appointed proxyholder participating at the Meeting, you can vote at the Meeting by completing a ballot online during the Meeting, when prompted. If you do not plan to participate, interact, ask questions or vote at the Meeting or to appoint a third party proxyholder other than the management nominees to vote at the Meeting on your behalf, you can vote through one of the following five methods:

On AST's website: www.astvotemyproxy.com.

By mail, in the prepaid envelope provided for this purpose; or by personal delivery at 1 Toronto Street, Suite 1200, Toronto, Ontario, M5C 2V6, Attention: Proxy Department,

or at 2001 Robert-Bourassa Blvd., Suite 1600, Montréal, Québec, H3A 2A6, Attention: Proxy Department.

By completing and signing the enclosed form of proxy and forwarding it by fax at 1-866-781-3111 (toll free within North America) or 1-416-368-2502 (outside of North America), Attention: Proxy Department.

Using a touch-tone phone, by calling 1-888-489-7352 (toll free within North America) and following the voice instructions.

By completing and signing the enclosed form of proxy and submitting it by email to proxyvote@astfinancial.com

If you vote by Internet by way of the AST website indicated above or by telephone, you will need your Control Number which you will find on your form of proxy.

The cut-off time for voting is 5:00 p.m. (Montréal time) on December 11, 2020, (or 48 hours, excluding Saturdays, Sundays and statutory holidays, prior to the commencement of the reconvened Meeting if the Meeting is adjourned or postponed). The time limit for the deposit of proxies may be waived by the chair of the Meeting at his discretion without notice.

In any case, if you wish to participate, interact, ask questions or vote at the Meeting, you need to follow the steps set forth under the headings "How can I participate at the Meeting" and "How do I appoint a third-party as proxy or appointee?".

If you are a Non-Registered Shareholder, please refer to the instructions below under the heading "How can a Non-Registered Shareholder vote?".

10. Q: HOW WILL MY PROXY BE VOTED?

A: On the form of proxy, you can indicate how you want your proxyholder to vote your Voting Shares, or you can let your proxyholder decide for you. If you have not specified on the form of proxy how you want your Voting Shares to be voted on a particular matter, your proxyholder can then vote in accordance with his or her best judgment.

Unless contrary instructions are provided in writing, the Voting Shares represented by proxies received by management will be voted FOR the adoption of the Arrangement Resolution reproduced in Schedule A.

11. Q: WHAT IF THERE ARE AMENDMENTS OR IF OTHER MATTERS ARE BROUGHT BEFORE THE MEETING?

A: The enclosed form of proxy gives the persons named on it the authority to use their discretion and best judgment in voting on amendments or variations to matters set out in the notice of the Meeting or any other matter duly brought before the Meeting.

At the date of printing this Circular, management is not aware of any amendments to the matters set out in the notice of the Meeting or of any other matter to be presented at the Meeting.

12. Q: CAN I CHANGE MY MIND AND REVOKE MY PROXY?

A: You can revoke your proxy at any time before it is acted upon. To do so, you must clearly state, in writing, that you want to revoke your proxy and deliver this written notice to the attention of Bernard Bussières, the Corporation's Vice-President, General Counsel and Corporate Secretary at: Transat A.T. Inc., Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montréal, Québec, H2X 4C2, no later than two (2) business days before the Meeting, namely by December 11, 2020, at 5:00 p.m. (Montréal time), or any adjournment or postponement thereof, or in any other manner permitted by law.

Also, note that if you are a Registered Shareholder and use your Control Number to log in to the Meeting, any vote you cast at the Meeting will revoke any proxy you previously submitted. If you are a Non-Registered Shareholder who has appointed yourself or a third party as appointee, if you or such third party, as the case may be, obtain a 13 digit appointee control number and log into the Meeting, any vote you or your appointee cast at the Meeting will revoke any voting instruction form you or your appointee, as the case may be, previously submitted. If you do not wish revoke a previously submitted proxy or voting instruction form, as the case may be, you, your proxyholder or your appointee, as applicable, should not vote during the Meeting or should attend the Meeting as a guest. Guests will be able to listen to the virtual Meeting but will not be able to participate, interact, ask questions or vote at the Meeting.

13. Q: WHAT IS THE QUORUM FOR THE MEETING?

A: The quorum for the Meeting shall be persons participating at the meeting not being less than two (2) in number and holding or representing by proxy not less than 25% of the total number of the issued Voting Shares on the Record Date.

14. Q: WHO COUNTS THE VOTES?

A: Proxies and votes are tallied by duly authorized representatives of AST, the Corporation's transfer agent.

15. Q: HOW ARE PROXIES SOLICITED?

A: Proxies will be solicited primarily by mail or by any other means our management may deem necessary. Transat has retained Kingsdale Advisors, as its strategic shareholder advisor and proxy solicitation agent, for assistance in connection with the solicitation of proxies for the Meeting for a fee of approximately $40,000 plus additional fees related to telephone calls and other services. Agreements will also be made with brokerage firms and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of Voting Shares registered in their names and Transat may reimburse them for the reasonable transaction and clerical expenses they will incur. Transat will pay for all costs related to this Circular, including printing, postage and delivery costs. The Purchaser may also, at its expense, solicit proxies directly or through an established soliciting dealer of its choice.

16. Q: HOW CAN A NON-REGISTERED SHAREHOLDER VOTE?

A: You are a "Non-Registered Shareholder" or "beneficial owner" if your Voting Shares are held on your behalf through an Intermediary. Under applicable Securities Laws, a beneficial owner of securities is a "non-objecting beneficial owner" (a "NOBO") if such beneficial owner has or is

deemed to have provided instructions to the Intermediary holding the securities on such beneficial owner's behalf not objecting to the Intermediary disclosing ownership information about the beneficial owner in accordance with said legislation, and a beneficial owner is an "objecting beneficial owner" (an "OBO") if such beneficial owner has or is deemed to have provided instructions objecting to same.

If you are a Canadian NOBO, the Corporation has sent these materials directly to you, and your name and address and information about your holdings of Voting Shares have been obtained in accordance with applicable Securities Laws from the Intermediary holding on your behalf. By choosing to send these materials to you directly, the Corporation (and not the Intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. The voting instruction form that is sent to Canadian NOBOs contains an explanation as to how you can exercise the voting rights attached to your Voting Shares, including how to participate, interact, ask questions or vote at the Meeting. Please provide your voting instructions as specified in the enclosed voting instruction form.

If you are an OBO or a non-Canadian NOBO, you received these materials from your Intermediary or its agent (such as Broadridge), and your Intermediary is required to seek your instructions as to the manner in which to exercise the voting rights attached to your Voting Shares. The Corporation has agreed to pay for Intermediaries to deliver to OBOs and non-Canadian NOBOs the proxy-related materials and the relevant voting instruction form. The voting instruction form that is sent to an OBO and a non-Canadian NOBO by the Intermediary or its agent should contain an explanation as to how you can exercise the voting rights attached to your Voting Shares, including how to participate, interact, ask questions or vote at the Meeting. Please provide your voting instructions to your Intermediary as specified in the enclosed voting instruction form.

In any case, if you wish to participate, interact, ask questions or vote at the Meeting, you need to follow the steps set forth under the headings "How can I participate at the Meeting" and "How do I appoint a third-party as proxy or appointee?" above, IN ADDITION to any steps that are specific to your Intermediary.

Non-Registered Shareholders who wish to appoint a person other than the management nominees identified in the voting instruction form (including a Non-Registered Shareholder who wishes to appoint himself or herself, as the case may be, to participate, interact, ask questions or vote at the Meeting) MUST carefully follow the instructions set forth in the voting instruction form and the instructions set forth under "How can I participate at the Meeting" and "How do I appoint a third-party as proxy or appointee?" above. These instructions include, among other things, the second step of having to register such appointee with our transfer agent, AST, after submitting the voting instruction form. Failure to register the appointee with AST will result in the appointee not receiving a 13-digit appointee control number to participate, interact, ask questions or vote at the Meeting and only being able to attend as a guest. Guests will be able to listen to the virtual Meeting but will not be able to participate, interact, ask questions or vote at the Meeting.

Duly appointed appointees of Non-Registered Shareholders (including Non-Registered Shareholders who appointed themselves or another person as an appointee) can vote at the Meeting by completing a ballot online during the Meeting, when prompted. If, as a Non-Registered Shareholder, you do not plan to participate, interact, ask questions or vote at the Meeting or to

appoint a third party appointee other than the management nominees to vote at the Meeting on your behalf, you can vote through one of the following five methods:

On AST's website: www.astvotemyproxy.com.

By mail, in the prepaid envelope provided for this purpose; or by personal delivery at 1 Toronto Street, Suite 1200, Toronto, Ontario, M5C 2V6, Attention: Proxy Department, or at 2001 Robert-Bourassa Blvd., Suite 1600, Montréal, Québec, H3A 2A6, Attention: Proxy Department.

By completing and signing the enclosed voting instruction form and forwarding it by fax at 1-866-781-3111 (toll free within North America) or 1-416-368-2502 (outside of North America), Attention: Proxy Department.

Using a touch-tone phone, by calling 1-888-489-7352 (toll free within North America) and following the voice instructions.

By completing and signing the enclosed voting instruction form and submitting it by email to proxyvote@astfinancial.com

If you vote by Internet by way of the AST website indicated above or by telephone, you will need your "control number" which you will find on your voting instruction form.

The cut-off time for voting is 5:00 p.m. (Montréal time) on December 11, 2020, (or 48 hours, excluding Saturdays, Sundays and statutory holidays, prior to the commencement of the reconvened Meeting if the Meeting is adjourned or postponed). The time limit for the deposit of voting instruction forms may be waived by the chair of the Meeting at his discretion without notice.

If you are a Registered Shareholder, please refer to the instructions above under the heading "How can a Registered Shareholder vote?".

Please contact our strategic shareholder advisor and proxy solicitation agent, Kingsdale Advisors, at 1-888-518-1552 (toll free within North America) or at 1-416-867-2272 (outside North America) or by email at contactus@kingsdaleadvisors.com with any questions you may have regarding voting. Non-Registered Shareholders should also communicate with their Intermediary for any questions.

17. Q: WHY IS THIS MANAGEMENT PROXY CIRCULAR SENT TO MY ATTENTION?

A: These securityholder materials are being sent to both Registered Shareholders and Non-Registered Shareholders. If you are a Non-Registered Shareholder, and Transat or its agent has sent these materials directly to you, your name and address and information about your holdings of Voting Shares have been obtained in accordance with applicable Securities Laws from the Intermediary holding these Voting Shares on your behalf.

By choosing to send these materials to you directly, Transat (and not the Intermediary holding the Voting Shares on your behalf) has assumed responsibility for (i) delivering these materials to you,

and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions and elsewhere in this Circular.

18. Q: WHAT IS A PLAN OF ARRANGEMENT?

A: A plan of arrangement is a statutory procedure under Canadian corporate law that allows companies to carry out transactions with the approval of their shareholders and the Court. The Plan of Arrangement you are being asked to consider will provide for, among other things, the acquisition directly or indirectly by the Purchaser of all of the issued and outstanding Voting Shares.

19. Q: WHAT HAPPENED TO THE INITIAL ARRANGEMENT AGREEMENT WITH AIR CANADA APPROVED BY SHAREHOLDERS ON AUGUST 23, 2019? WHY DO I NEED TO VOTE AGAIN?

A: Transat and Air Canada have entered into a revised Arrangement Agreement which terminates and replaces the previous arrangement agreement between Transat and Air Canada dated June 27, 2019, as subsequently amended on August 11, 2019 (the "2019 Arrangement Agreement"), which was presented to Shareholders in the Transat management proxy circular dated July 19, 2019 (the "2019 Circular") and approved by Shareholders at the special meeting of Shareholders held on August 23, 2019, and which also contemplated the acquisition of all the Voting Shares.

Consummating the 2019 Arrangement Agreement was no longer an option that was viable given the full set of circumstances the Corporation is facing. The COVID-19 pandemic is the worst crisis since the founding of the Corporation 33 years ago and has had devastating effects on the Corporation's operations. From April 1, 2020 through to July 22, 2020, the Corporation suspended all its flights, and has since resumed only a small portion of such flights as demand remains greatly affected by restrictions on non-essential travel, quarantine requirements and border closures. In the face of these suspensions and reductions in operations, the Corporation took a number of measures to preserve its liquidity, including: the temporary layoff of a large part of its personnel, reaching approximately 85% at one point and now approximately two thirds; the negotiation of rent deferrals with aircraft lessors and owners of premises it occupies; and a draw down on its $50.0 million revolving credit facility. Still, the dramatic reduction in operations and revenues has significantly and adversely impacted the Corporation's cash position, and is expected to continue to do so for the foreseeable future.

Faced with the uncertainty related to the COVID-19 pandemic and a second wave underway, continuing restrictions on non-essential travel and border closures, and its rapidly depleting cash position, Transat needed to put in place additional sources of financing. The terms of the 2019 Arrangement Agreement restricted Transat's ability to do so without Air Canada's consent. As part of the negotiation leading to the revised Arrangement Agreement, Transat has been able to implement a new $250 million short-term loan facility (the "Subordinated Loan Facility"), as well as certain critical amendments to its existing senior loan facility (together with the Subordinated Loan Facility, the "Financing") providing Transat with additional flexibility in the context of the current business and economic environment.

Another key factor in Transat's decision to enter into the revised Arrangement Agreement was the low likelihood of obtaining the necessary regulatory approvals before the deadline of December 27, 2020 set under the initial transaction, taking into account the significant and adverse impact of the pandemic on the Purchaser's original motivations for completing the transaction at the price set initially. The process of obtaining the required regulatory approvals for the transaction

under the 2019 Arrangement Agreement has been significantly and adversely affected by the pandemic and its impact on the industry as a whole. The market conditions of the global industry have been completely transformed. Among other things, the vast majority of North American, European and international air carriers have requested financial assistance measures, but have had to implement reductions in capacity. With the passage of time, the concerns raised by regulatory agencies and the challenges posed by the post COVID-19 environment, the Board came to the conclusion that the transaction proposed under the 2019 Arrangement Agreement was unlikely to obtain the required regulatory approvals prior to the ultimate outside date of December 27, 2020 and was therefore unlikely to be consummated. The Board believes that revised terms will provide the parties with greater incentives to address the concerns raised by regulatory agencies in order to obtain the regulatory approvals, including with respect to the offer of remedies which should provide a greater chance of obtaining the required approvals from regulatory authorities prior to the newly extended outside date of February 15, 2021.

Based on the foregoing and other factors described in further details in the Circular, the Board determined that the revised transaction, with the implementation of the Financing, is the best prospect currently available for Transat's continued viability and the preservation of Shareholder value relative to the alternatives reasonably available to it in the context of the 2019 Arrangement Agreement, and therefore represents the best option for all Transat stakeholders, including Shareholders, employees, creditors, suppliers, customers and partners.

20. Q: WHAT HAPPENS IF THE SHAREHOLDERS DO NOT APPROVE THE ARRANGEMENT?

A: If Transat does not receive the Required Shareholder Approval in favour of the Arrangement Resolution, the Arrangement will not become effective and there currently is no alternative arrangement, as, for further clarity, the 2019 Arrangement Agreement has been terminated and replaced with the revised Arrangement. Shareholders will continue holding their Voting Shares, the market price of which is dependent on Transat's performance and future earnings in the current challenging business environment as further described in the section "Risks and Uncertainties" of Transat's Third Quarterly Report for the period ending July 31, 2020. Failure to complete the Arrangement could also have a material adverse effect on the market price of the Voting Shares and therefore there is a risk of decrease in value for the Voting Shares. If the Arrangement is not completed and the Board decides to seek another transaction, there can be no assurance that it will be able to find any party willing to submit an offer to the Board, and there can be no assurance that any offer submitted to the Board would be for an equivalent or higher price than the Consideration to be paid pursuant to the terms of the Arrangement Agreement. See "Risk Factors".

Shareholders should also note that although the Corporation has been able to put in place the Financing, such arrangements are for a limited duration and will need to be replaced if the Arrangement is not consummated on or before the new outside date of February 15, 2021. In particular, the Subordinated Loan Facility matures on the earlier of March 31, 2021 and the closing of the Arrangement. Furthermore, the suspension of the application of financial ratios under the Corporation's senior loan facility and the Subordinated Loan Facility expires on January 31, 2021, after which time, absent any extension, the Corporation could be in default of its obligations and the term of its borrowings could be accelerated. Pursuant to the terms of the Arrangement Agreement, the Corporation's ability to put in place new sources of financing is restricted and requires Air Canada's consent. As a result, if the requisite Shareholder and regulatory approvals are not obtained and the Arrangement is not consummated on or prior to the Outside Date, the Corporation will need to address the challenges posed by its cash position and the maturing

lending facilities. If the Arrangement is not approved by Shareholders, the Corporation may not be able to renew maturing facilities at acceptable conditions or find financing alternatives, and its financial position and business prospects could be materially and adversely affected. See "Risk Factors – Restrictive Covenants of the Corporation until the Effective Time and Uncertainty may adversely affect the Corporation's business".

Furthermore, if the Arrangement is not approved by Shareholders and otherwise not consummated, there is a risk that Transat's lenders, lessors, credit card processors, clients and other trade partners become more preoccupied by Transat's financial position, prospects and ability to execute its strategic plan as a going concern, which could result in more onerous credit terms, repayment obligations, an inability to refinance maturing indebtedness or find new sources of financing, restricted access to goods and services, and/or reduced business, all of which could significantly and adversely affect Transat's cash flows and ability to continue as a going concern. For such reasons, and other reasons as set forth under "The Arrangement – Reasons for the Recommendation", the Board unanimously recommends that the Shareholders vote in favour of the Arrangement Resolution.

21. Q: I OWN VOTING SHARES. WHAT WILL I RECEIVE IN THE ARRANGEMENT IF IT IS APPROVED?

A: Pursuant to the Arrangement Agreement and the Plan of Arrangement, each Shareholder will be entitled to elect to receive, for each Voting Share held, (i) $5.00 in cash, or (ii) the Share Consideration consisting of (A) with respect to a Class A Variable Voting Share in the capital of the Corporation, 0.2862 class A variable voting share in the capital of the Purchaser; and (B) with respect to a Class B Voting Share in the capital of the Corporation, 0.2862 class B voting share in the capital of the Purchaser, at the effective time of the Arrangement. The elections made by Shareholders will be subject to rounding and will not be subject to proration. The class A variable voting shares and class B voting shares of Air Canada (the "Air Canada Shares") issued to Shareholders in connection with the Arrangement will be issued based on a reference price of $17.47 per Air Canada Share, which approximates the volume-weighted average trading price of the Air Canada Shares for the thirty (30) trading days preceding September 23, 2020, being the date on which the Consideration under the Arrangement Agreement was under negotiation with Air Canada.

22. Q: WHAT PREMIUM DOES THE PURCHASE PRICE PER VOTING SHARE OFFERED REPRESENT?

A: The purchase price per Voting Share offered under the Arrangement represents a premium of 31.6% to the 20-day volume weighted average price of the Voting Shares of the Corporation on the Toronto Stock Exchange (the "TSX") on October 8, 2020, the date preceding the date of execution of the Arrangement Agreement.

23. Q: IF I CHOOSE THE SHARE CONSIDERATION, WILL THE AIR CANADA SHARES BE CLASS A VARIABLE VOTING SHARES OR CLASS B VOTING SHARES OF AIR CANADA?

A: As is the case for Transat, Air Canada has Canadian ownership guidelines, as the CT Act requires that national holders of domestic, scheduled international and non-scheduled international licences, such as Air Canada and Transat, be "Canadian", as defined in the CT Act. There are therefore are two classes of Air Canada Shares listed on the TSX, as for Transat: the class A variable voting shares, owned or controlled by non-Canadians only, and the class B voting shares, owned or controlled by Canadians only. See "Information Concerning Air Canada – Description of Air Canada Shares" for additional details in respect thereof. Holders of class A variable voting shares of Transat

who elect to receive the Share Consideration will receive class A variable voting shares of Air Canada, and holders of class B voting shares of Transat who elect to receive the Share Consideration will receive class B voting shares of Air Canada.

In any case, we remind Registered Shareholders to carefully read and complete the instructions in the Letter of Transmittal and Election Form in order to choose the form of Consideration desired. Non-Registered Shareholders should contact their Intermediary that holds Voting Shares on their behalf and carefully follow the instructions received from such Intermediary.

24. Q: ARE THE AIR CANADA SHARES LISTED ON A STOCK EXCHANGE?

A: Yes. The Air Canada Shares trade on the TSX under a single trading symbol "AC". The TSX has conditionally approved the listing of the Air Canada Shares issuable under the Arrangement on the TSX. Listing of such Air Canada Shares remains subject to Air Canada fulfilling certain customary listing conditions prescribed by the TSX.

25. Q: HOW DO I MAKE AN ELECTION?

A: If you are a Registered Shareholder (other than a Dissenting Shareholder), you may make an election to receive, in respect of your Voting Shares, either the Cash Consideration or the Share Consideration, by depositing with the Depositary a duly completed Letter of Transmittal and Election Form indicating your election, together with your Voting Share certificate(s), by the Election Deadline. If you are a Non-Registered Shareholder, you should carefully follow the instructions you receive from the Intermediary that holds Voting Shares on your behalf.

The Letter of Transmittal and Election Form accompanying this Circular will be available on Transat's website at https://www.transat.com/en-CA/corporate/investors as well as under Transat's issuer profile on SEDAR at www.sedar.com or by contacting the Depositary.

As the Consideration offered by Air Canada is not subject to proration, Shareholders are guaranteed, subject to Closing and to following the procedures set forth in the Letter of Transmittal and Election Form (for Registered Shareholders) or the instructions of their Intermediary (for Non-Registered Shareholders), to receive what they have elected to receive (subject to rounding, in the case of Shareholders who elect to receive the Share Consideration).

26. Q: WHEN DO I RETURN MY LETTER OF TRANSMITTAL AND ELECTION FORM?

A. The Letter of Transmittal and Election Form must be received by the Depositary by 5:00 p.m. (Montréal time) on or before the date that is two Business Days prior to the Closing Date (the "Election Deadline"), unless otherwise agreed in writing by Transat and Air Canada. Transat will include notice of the Election Deadline in a press release disseminated over newswire service in Canada at the latest on the Business Day immediately before the Election Deadline. Investors who purchase Voting Shares shortly before the Closing Date are hereby advised that they may not have sufficient time in order to submit a duly completed Letter of Transmittal and Election Form by the Election Deadline in respect of such Voting Shares and should consult with their broker, trust company or other Intermediary and seek advice from their professional advisers in advance of any such trades.

Any Letter of Transmittal and Election Form, once deposited with the Depositary, will be irrevocable and may not be withdrawn by a Shareholder. The procedures to send your Letter of Transmittal and

Election Form to the Depositary are described in the Letter of Transmittal and Election Form enclosed herewith.

27. Q: WHAT HAPPENS IF I DO NOT MAKE AN ELECTION?

A: If you are a Shareholder (other than a Dissenting Shareholder) and do not deposit with the Depositary a properly completed and duly executed Letter of Transmittal and Election Form together with the certificate(s) representing your Voting Shares (if you are a Registered Shareholder), or otherwise fail to properly make an election through your Intermediary (if you are a Non-Registered Shareholder), before the Election Deadline, you will be deemed to have elected to receive the Cash Consideration.

28. Q: WHEN WILL THE ARRANGEMENT BE COMPLETED?

A: It is currently anticipated that the Arrangement will be completed in late January or early February 2021. It is not possible, however, to state with certainty when the Effective Date will occur. The Effective Date could be delayed for a number of reasons, including a delay in obtaining the Key Regulatory Approvals. As provided under the Arrangement Agreement, the Corporation will file the Articles of Arrangement as soon as reasonably practicable and in any event within five (5) Business Days after the satisfaction or waiver (if permitted) of the conditions to the completion of the Arrangement. The Arrangement must be completed on or prior to the Outside Date. If the Arrangement is not completed on or prior to the Outside Date, the Parties may be entitled to terminate the Arrangement Agreement, subject to certain conditions as described herein under "Arrangement Agreement".

29. Q: WHEN WILL I RECEIVE THE CONSIDERATION FOR MY VOTING SHARES?

A: You will receive the Consideration for your Voting Shares as soon as practicable after the Arrangement is completed, provided you have sent all of the necessary documentation to the Depositary. See "The Arrangement - Procedure for Exchange of Voting Shares Certificates by Registered Shareholders; Letter of Transmittal and Election Form".

30. Q: WHAT WILL I HAVE TO DO AS A SHAREHOLDER TO RECEIVE THE CONSIDERATION FOR MY VOTING SHARES?

A: If you are a Registered Shareholder, you will receive a Letter of Transmittal and Election Form that you must complete and send with the certificate(s) (if applicable) representing your Voting Shares to the Depositary. The Depositary will mail you a cheque and/or a direct registration system statement by first-class mail as soon as practicable after the Effective Date after receipt of your completed Letter of Transmittal and Election Form and of your Voting Share certificate(s), together with all other required documents (if applicable). See "The Arrangement - Procedure for Exchange of Voting Shares Certificates by Registered Shareholders; Letter of Transmittal and Election Form".

If you are a Non-Registered Shareholder, you will receive your payment through your account with your Intermediary that holds Voting Shares on your behalf. You should contact your Intermediary if you have questions about this process.

31. Q: WHAT APPROVALS ARE REQUIRED FOR THE ARRANGEMENT TO BECOME EFFECTIVE?

A: Completion of the Arrangement is subject to, among other things, to the receipt of (i) the Required Shareholder Approval, (ii) the Court approval, (iii) the Stock Exchange Approval, and

(iv) the Key Regulatory Approvals. The Arrangement is also subject to the Net Indebtedness Condition and certain customary and other conditions. See "Arrangement Agreement".

32. Q: WHAT IS THE REQUIRED SHAREHOLDER APPROVAL?

A: The Arrangement Resolution must be approved by (i) at least 66 2/3% of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class, participating or represented by proxy at the Meeting and entitled to vote, and (ii) a simple majority of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class, participating or represented by proxy at the Meeting and entitled to vote, excluding those Shareholders whose votes are required to be excluded in determining minority approval pursuant to Regulation 61-101, whom, as of the date hereof, consist of Jean-Marc Eustache.

The votes associated with the Voting Shares are subject to proration in certain circumstances, as set forth under "Q: What are the restrictions on ownership of my voting shares?" above.

33. Q: WILL THE VOTING SHARES CONTINUE TO BE LISTED ON THE TSX AFTER THE ARRANGEMENT?

A: No. If the Arrangement is approved, all of the Voting Shares will be acquired directly or indirectly by the Purchaser, and the Voting Shares will be delisted from the TSX as promptly as practicable after the completion of the Arrangement. The Purchaser also intends to seek to have Transat cease to be a reporting issuer following the completion of the Arrangement under the securities legislation of all of the provinces of Canada in which it is currently a reporting issuer.

34. Q: WILL TRANSAT PAY DIVIDENDS BEFORE THE COMPLETION OF THE ARRANGEMENT?

A: No. Transat will not declare or pay dividends or any other distributions (whether in cash, shares or property) before the completion of the Arrangement.

35. Q: WHAT ARE THE TAX CONSEQUENCES OF THE ARRANGEMENT TO ME AS A SHAREHOLDER?

A: This Circular contains a summary of certain Canadian federal income tax considerations. See the discussion under "Certain Canadian Federal Income Tax Considerations". This summary is of a general nature only and is not, and is not intended to be, nor should it be construed to be, legal or tax advice or representations to any particular Shareholder. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, Shareholders are urged to consult their own legal and tax advisors with respect to the tax consequences to them having regard to their particular circumstances, including the application and effect of the income and other tax laws of any country, province or other jurisdiction that may be applicable to the Shareholder.

This information circular does not address any tax considerations of the Arrangement other than certain Canadian federal income tax considerations to Shareholders. No tax advice or opinion whatsoever is being provided to Shareholders who are resident in jurisdictions other than Canada (including Shareholders that are United States taxpayers). Shareholders who are United States taxpayers are encouraged to consult their tax advisors to properly identify the tax consequences of the Arrangement.

36. Q: WHO DO I ASK IF I HAVE QUESTIONS ABOUT THE MEETING OR REQUIRE ASSISTANCE WITH VOTING?

A: Please contact our strategic shareholder advisor and proxy solicitation agent, Kingsdale Advisors, at 1-888-518-1552 (toll free within North America) or at 1-416-867-2272 (outside North America) or by email at contactus@kingsdaleadvisors.com with any questions you may have regarding the Meeting.

37. Q: WHO DO I ASK IF I HAVE QUESTIONS ABOUT THE LETTER OF TRANSMITTAL AND ELECTION FORM?

A: Please contact AST, our transfer agent and depositary, at 1-800-387-0825 (toll free within North America) or 1-416-682-3860 (outside of North America) or by email at inquiries@astfinancial.com with any questions you may have regarding the Letter of Transmittal and Election Form.

PLEASE REMEMBER - IF YOU DO NOT WANT TO VOTE AT THE MEETING, THE DEADLINE FOR VOTING IN RESPECT OF THE MEETING IS DECEMBER 11, 2020, AT 5:00 P.M. (MONTRÉAL TIME)

CAUTIONARY STATEMENTS

We have not authorized any person to give any information or to make any representation in connection with the Arrangement or any other matters to be considered at the Meeting other than those contained in this Circular. If any such information or representation is given or made to you, you should not rely on it as having been authorized or as being accurate.

The information concerning Air Canada under the sections "Information concerning Air Canada" and "Risk Factors – Risks relating to Air Canada" of this Circular has been publicly filed or provided by the Purchaser for inclusion in this Circular. Although Transat does not have any knowledge that would indicate that such information is untrue or incomplete, neither Transat nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information, or for the failure by Air Canada to disclose events or information that may affect the accuracy or completeness of such information.

Shareholders in the United States should read the section "Notice to Shareholders in the United States" on page xxi of this Circular.

This Circular does not constitute an offer to buy, or a solicitation of an offer to sell, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

Shareholders should not construe the contents of this Circular as legal, tax or financial advice and are urged to consult with their own legal, tax, financial or other professional advisors.

All summaries of, and references to, the Arrangement, the Plan of Arrangement and the Arrangement Agreement in this Circular are qualified in their entirety by the complete text of the Plan of Arrangement and the Arrangement Agreement. The Plan of Arrangement is attached as Schedule B to this Circular and a copy of the Arrangement Agreement has been filed on SEDAR at www.sedar.com. You are urged to read carefully the full text of the Plan of Arrangement and the Arrangement Agreement.

NO CANADIAN SECURITIES REGULATORY AUTHORITY NOR THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

FORWARD-LOOKING INFORMATION

This Circular contains "forward-looking information" within the meaning of applicable Securities Laws. Forward-looking information is identified by the use of terms and phrases such as "may", "would", "should", "could", "expect", "intend", "estimate", "outlook", "target", "goal", "guidance", "anticipate", "plan", "foresee", "believe", or "continue", the negative of these terms and similar terminology, including references to assumptions, although not all forward-looking information contains these terms and phrases. Such forward-looking information includes, but is not limited to, statements relating to the anticipated benefits of the Arrangement for the Corporation, the Purchaser and their respective Shareholders, the receipt of Regulatory Approvals, Shareholder, TSX and Court approvals, the anticipated timing and outcome of the Arrangement with Air Canada, the anticipated timing of the Meeting, the satisfaction or waiver of the conditions for Closing and compliance with the revised covenants contained in the Arrangement Agreement, the expectation of potential long-term value creation by Air Canada, and in the airline industry generally, in a post-COVID recovery environment, the formation of a global Montreal-based combined company, the

potential upside for Shareholders who elect to receive Air Canada Shares in connection with the Arrangement, the creation of long-term value for Shareholders, the upside opportunity by offering Shareholders the ability to participate in the potential long-term value that could be created by Air Canada, and expected synergies from the combination of Transat and Air Canada.

Forward-looking information is subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, the failure of the parties to obtain the necessary Regulatory Approvals and Shareholder, TSX and Court approvals or to otherwise satisfy the conditions of the Arrangement and comply with the revised covenants contained in the Arrangement Agreement, including Transat's satisfaction of the Net Indebtedness Condition; failure of the parties to obtain such approvals or satisfy such conditions in a timely manner; the occurrence of a Material Adverse Effect; significant transaction costs or unknown liabilities; failure to realize the expected benefits of the Arrangement; general economic conditions; the treatment of Shareholders under tax laws; and other risks and uncertainties identified under "Risk Factors" and "Information concerning Transat"; and, in respect of Air Canada specifically, the failure to realize anticipated benefits of the Arrangement, the market price and volatility of Air Canada Shares, the dilutive effects on holders of Air Canada Shares and other risks and uncertainties identified under "Risk Factors – Risks Relating to Air Canada" and under Section 14 "Risk Factors" of the Air Canada Interim MD&A and Section 20 of the Air Canada Annual MD&A. Failure to obtain the necessary Regulatory Approvals or Shareholder, TSX and Court approvals, or the failure of the parties to otherwise satisfy the conditions to the completion of the Arrangement or to complete the Arrangement, may result in the Arrangement not being completed on the proposed terms, or at all. In addition, if the Arrangement is not completed, and the Corporation continues as a publicly traded entity, there are risks that the announcement of the Arrangement and the dedication of substantial resources of the Corporation to the completion of the Arrangement could have a negative impact on its business and strategic relationships (including with future and prospective employees, customers, suppliers and partners), operating results and activities in general, and could have a material adverse effect on the current and future operations, financial condition and prospects of the Corporation, including the loss of investor confidence in connection with the Corporation's ability to execute its strategic plan. In addition, failure to complete the transaction proposed under the Arrangement for any reason could materially negatively impact the market price of the Corporation's securities. If the transaction proposed under the Arrangement is not completed for any reason, there is a risk that Transat's lenders, lessors, credit card processors, clients and other trade partners become more preoccupied by Transat's financial position, prospects and ability to execute its strategic plan as a going concern, which could result in more onerous credit terms, repayment obligations, an inability to refinance maturing indebtedness or find new sources of financing, restricted access to goods and services, and/or reduced business, all of which could significantly and adversely affect Transat's cash flows and ability to continue as a going concern. Furthermore, pursuant to the terms of the Arrangement Agreement, the Corporation may, in certain circumstances, be required to pay a fee to the Purchaser, the result of which could have an adverse effect on its financial position. If the transaction proposed under the Arrangement is not completed for any reason, there can be no assurance that Transat management will be successful in its efforts to identify and implement other strategic alternatives that would be in the best interests of the Corporation and its stakeholders within the context of existing economic, market, regulatory and competitive conditions in the industries in which the Corporation operates, on favourable terms and timing or at all, and, if implemented, that such actions would have the intended results. Transat has also incurred significant transaction and related costs in connection with the transaction proposed under the Arrangement, and additional significant or unanticipated costs may be incurred.

Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that Transat

anticipates will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and Transat does not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable Securities Law.

Shareholders are cautioned that the foregoing list of risks and uncertainties is not exhaustive of the risks and uncertainties that may affect forward-looking statements. Additional information on other risks and uncertainties (in addition to those described under the section “Risk Factors” of this Circular) that could affect the operations or financial results of the Corporation or Air Canada, which, in turn, could impact, among other things, the satisfaction of the conditions to the completion of the Arrangement, are included in reports on file with applicable securities regulatory authorities, including, but not limited to, the “Risk Factors” sections in Section 20 of the Air Canada Annual MD&A and Section 14 the Air Canada Interim MD&A, which are incorporated into the Circular by reference, as well as the risk factors and other disclosures set forth in other documents filed by Air Canada with Canadian Securities Administrators, which are available on SEDAR at www.sedar.com under Air Canada's issuer profile. Shareholders are also cautioned to consider these and other risks and uncertainties carefully and not to put undue reliance on forward-looking statements contained in this Circular that could be impacted by those risks and uncertainties. The information contained in this Circular includes factors that could affect the completion of the Arrangement. You are urged to carefully consider those factors. For a discussion regarding such risks and uncertainties, please refer to the section "*Risk Factors*" of this Circular.

TRADEMARKS

This Circular includes certain trademarks that are protected under applicable intellectual property laws and are the property of the Corporation, Air Canada or their respective affiliates. Solely for convenience, such trademarks may appear with or without the ® or TM symbol, but such references or the absence thereof are not intended to indicate, in any way, that the Corporation, Air Canada or their respective affiliates, as the case may be, will not assert, to the fullest extent under applicable law, their respective rights to these trademarks. Any other trademarks used in this Circular are the property of their respective owners.

NOTICE TO SHAREHOLDERS IN THE UNITED STATES

THE PURCHASER SHARES ISSUABLE IN CONNECTION WITH THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY SECURITIES REGULATORY AUTHORITY IN ANY STATE OF THE UNITED STATES; AND NEITHER THE SEC NOR ANY SUCH STATE REGULATORY AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

The issuance and distribution of Purchaser Shares under the Arrangement have not been registered under the United States Securities Act of 1933, as amended. The Purchaser Shares are being issued and distributed in reliance on the exemption from registration set forth in Section 3(a)(10) of the U.S. Securities Act (and similar exemptions under applicable state securities laws). For more information, including information regarding transfer restrictions under applicable U.S. Securities Laws, see “Certain Legal Matters - Certain U.S. Securities Law Matters”.

Transat is a corporation existing under the federal laws of Canada. The solicitation of proxies and the transactions contemplated herein involve securities of Canadian issuers and are being effected in accordance with Canadian corporate law and Securities Laws. Shareholders should be aware that

requirements under such Canadian laws differ from requirements under United States corporate and securities laws relating to United States corporations. The proxy rules under the U.S. securities laws are not applicable to the Corporation nor to this solicitation and therefore this solicitation is not being effected in accordance with such securities laws.

Certain of the financial information included in this Circular has been prepared in accordance with IFRS, which differ from United States generally accepted accounting principles in certain material respects, and thus may not be comparable to financial information of United States companies. The financial statements of the Corporation and the Purchaser included or incorporated by reference herein have been prepared in accordance with IFRS and may not be comparable to the financial statements of United States companies.

Shareholders in the United States should be aware that the disposition of their Voting Shares and the acquisition of Air Canada Shares by them as described herein may have tax consequences both in the United States and in Canada. This Circular does not address any tax considerations of the Arrangement other than certain Canadian federal income tax considerations. Shareholders who are resident in, or citizens of, the United States or any other jurisdiction, are encouraged to consult their own tax advisors for tax consequences relating to the receipt, ownership and sale of Purchaser Shares.

The enforcement by Shareholders of civil liabilities under U.S. federal securities laws may be affected adversely by the fact that each of Air Canada and the Corporation are incorporated under the federal laws of Canada, that some of their respective officers and directors may be residents of a foreign country, that some or all of the experts named herein may be residents of a foreign country and that all or a substantial portion of the assets of Air Canada and the Corporation and said persons may be located outside the United States. You may not be able to sue a foreign corporation or its officers or directors in a foreign court for violations of U.S. Securities Laws. It may be difficult to compel a foreign corporation and its affiliates to subject themselves to a U.S. court's judgment.

The Arrangement is being made in accordance with the disclosure requirements of the provinces and territories of Canada. Shareholders should be aware that such requirements are different from those of the United States. The financial statements of Transat and Air Canada included or incorporated by reference herein have been prepared in accordance with International Financial Reporting Standards and may not be comparable to the financial statements of United States companies.

The solicitation of consents contemplated hereby is being effected in accordance with Canadian corporate and securities laws. The proxy solicitation rules under the U.S. Securities Exchange Act are not applicable to the Corporation or this solicitation. Shareholders should be aware that proxy solicitation and disclosure requirements under Canadian laws are different from those requirements under U.S. Securities Laws.

SUMMARY

The following is a summary of certain information contained in this Circular. This summary is not intended to be complete and is qualified in its entirety by the more detailed information contained elsewhere in this Circular and the attached schedules, and by the full text of the Arrangement Agreement available on SEDAR at www.sedar.com and of the Plan of Arrangement attached to this Circular as Schedule B.

Meeting and Record Date

The Meeting will be held on December 15, 2020, at 10:00 a.m. (Montréal time) and will be conducted virtually only via live audio webcast online at https://web.lumiagm.com/481453964. The purpose of the Meeting is for Shareholders to consider and, if deemed advisable, to approve the Arrangement Resolution, the full text of which is set forth at Schedule A. Shareholders may also be asked to consider other business that properly comes before the Meeting or any adjournment(s) or postponement(s) thereof. The Shareholders entitled to vote at the Meeting are those holders of Voting Shares as of the close of business on November 10, 2020. See "Information Regarding the Meeting".

Summary of the Arrangement

The Arrangement Agreement provides for, among other things, the acquisition directly or indirectly by the Purchaser of all of the issued and outstanding Voting Shares by way of a plan of arrangement under Section 192 of the CBCA. Pursuant to the Arrangement Agreement and the Plan of Arrangement, each Shareholder (other than any Dissenting Shareholders) will be entitled to receive, at their election, for each Voting Share held, (i) $5.00 in cash, or (ii) the Share Consideration consisting of (A) with respect to a Class A Variable Voting Share in the capital of the Corporation, 0.2862 class A variable voting share in the capital of the Purchaser; and (B) with respect to a Class B Voting Share in the capital of the Corporation, 0.2862 class B voting share in the capital of the Purchaser, at the effective time of the Arrangement. The elections made by Shareholders will be subject to rounding and will not be subject to proration. The class A variable voting shares and class B voting shares of Air Canada issued to Shareholders in connection with the Arrangement will be issued based on a reference price of $17.47, which approximates the volume-weighted average trading price of the Air Canada Shares for the thirty (30) trading days preceding September 23, 2020, being the date on which the Consideration under the Arrangement Agreement was under negotiation with Air Canada.

A copy of the Plan of Arrangement is attached to this Circular as Schedule B, and a copy of the Arrangement Agreement has been filed on SEDAR at www.sedar.com. See "The Arrangement" and "Arrangement Agreement".

Parties

- Transat

Founded in 1987, Transat 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 also a retail distributor, both online and through travel agencies, as well as a destination services provider in Mexico, the Dominican Republic and Jamaica. In 2018, Transat started setting up its own hotel division with a mission to own and operate hotels in the Caribbean and Mexico. Air Transat received, for two consecutive years, the World's Best Leisure Airline Award at the Skytrax World Airline Awards, an independent U.K. research firm. Transat is the first major international tour operator to be Travelife Certified for all its activities. Based in Montréal, as at March 13, 2020 the Corporation had approximately 5,500 employees. Since the beginning

of the COVID-19 pandemic, this number has decreased and as at November 12, 2020, the Corporation has approximately 4,950 employees. Transat's head office is located at Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montréal, Québec, Canada H2X 4C2.

- Air Canada

Air Canada is Canada's largest domestic and international airline and, in 2019, served 217 airports on six continents. Canada's flag carrier is among the 20 largest airlines in the world and, in 2019, served more than 51 million customers. In 2019, Air Canada, together with Jazz, Sky Regional and other regional airlines operating flights on behalf of Air Canada under capacity purchase agreements, operated, on average, 1,531 daily scheduled flights, comprised of 62 Canadian cities, 56 destinations in the United States and a total of 99 cities in Europe, Africa, the Middle East, Asia, Australia, the Caribbean, Mexico, and South America.

Air Canada is a founding member of the Star Alliance® network. In 2019, through the 26-member airline network, Air Canada offers its customers access to more than 1,300 destinations in 195 countries, as well as reciprocal participation in frequent flyer programs and the use of airport lounges and other common airport facilities.

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 Best Airline in North America for 2019.

Background to the Arrangement

See "The Arrangement - Background to the Arrangement" for a summary of the main events that led to the execution of the Arrangement Agreement and certain meetings, negotiations, discussions and actions of the Parties that preceded the execution of the Arrangement Agreement and the public announcement of the Arrangement.

Recommendation of the Special Committee and the Board

After receipt of the Fairness Opinions and receipt of advice from financial and outside legal advisors, and after having considered all relevant factors, including the terms of the 2019 Arrangement Agreement and the status of the transaction contemplated thereby, the Special Committee unanimously determined that the Arrangement is in the best interests of the Corporation and is fair to the Shareholders, and unanimously recommended that the Board approve the Arrangement and recommend that Shareholders vote FOR the Arrangement Resolution. See "The Arrangement - Recommendation of the Special Committee".

After careful consideration, including the receipt of the Fairness Opinions, after consulting with and receiving advice from financial and outside legal advisors, and after receiving the unanimous recommendation of the Special Committee and having considered all relevant factors, including the terms of the 2019 Arrangement Agreement and the status of the transaction contemplated thereby, the Board has unanimously determined that the Arrangement is in the best interests of Transat and is fair to the Shareholders, and unanimously recommends that the Shareholders vote FOR the Arrangement Resolution. See "The Arrangement - Recommendation of the Board".

In reaching their conclusion that the Arrangement is in the best interests of the Corporation and is fair to the Shareholders, the Special Committee and the Board considered and relied upon a number of substantive factors, including those described under "The Arrangement – Reasons for the Recommendation".

In making their respective determinations that the Arrangement is in the best interests of the Corporation and is fair to the Shareholders, as well as their respective unanimous recommendations in favour of the Arrangement, the Special Committee and the Board, with the assistance of Transat's management and financial and legal advisors, considered and relied upon a number of substantive factors, including the terms of the 2019 Arrangement Agreement and the status of the transaction contemplated thereby, and, among others, the following factors: (a) the continued viability of Transat and preservation of Shareholder value, considering Air Canada's consent to the implementation of the Financing and available alternatives in the context of the 2019 Arrangement Agreement given the significant execution risks and uncertainties associated with both the 2019 Arrangement Agreement and the pursuit of Transat's stand-alone business plan in the current context of the COVID-19 health crisis and resulting market and economic conditions; (b) the Consideration payable to Shareholders, including the premium and choice of form of payment, with potential upside with Air Canada Shares; (c) the Fairness Opinions; (d) the expected effect of the Arrangement on the Corporation, its operations and stakeholders, including relative to the 2019 Arrangement Agreement under current circumstances (having regard to the execution risks and completion uncertainty as described herein); (e) the procedural safeguards and fairness in respect of the Arrangement, including the Required Shareholder Approval and Court approval required to complete the Arrangement, and the right of Registered Shareholders to dissent and receive the fair value for their Voting Shares as well as the ability of the Board to consider Acquisition Proposals and to respond to and accept a Superior Proposal; (f) the fact that the Arrangement Agreement preserves the right of the Board to make a Change in Recommendation in certain circumstances not related to any Acquisition Proposal, in response to an Intervening Event; (g) the fact that Air Canada possesses the required ability, experience, skill and expertise, as well as the necessary financial and other resources, to successfully operate the Corporation's business on a long term basis; (h) the Arrangement Agreement offering a greater degree of deal certainty relative to the 2019 Arrangement Agreement (particularly as regards the likelihood of securing the Key Regulatory Approvals) and less execution and long term risks relative to other alternatives reasonably available to it in the context of the 2019 Arrangement Agreement, including the pursuit of the Corporation's stand-alone business plan in the current context of the COVID-19 health crisis and resulting market and economic conditions; (i) the fact that given the restrictive covenants under the 2019 Arrangement Agreement the Special Committee and the Board being limited in the strategic alternatives available for consideration in the context of negotiating the Arrangement Agreement, including the limited number of other potential acquirors as a result of the nature of the Corporation's business and the regulatory constraints relating to Canadian control under the CT Act, as well as the current economic conditions due to the COVID-19 pandemic; (j) the Special Committee's and the Board's assessment, after consultation with specialised regulatory and other advisors, that the required Regulatory Approvals are more likely to be obtained on terms and conditions reasonably satisfactory to the Corporation and Air Canada within the Outside Date, relative to the likelihood of such approvals being obtained under the 2019 Arrangement Agreement within the Original Outside Date, having regard in each case to Air Canada's obligations related to obtaining such approvals under the applicable agreements; and (k) the fact that the Arrangement Agreement provides for the payment by Air Canada of the Reverse Termination Fee in the event that the Arrangement Agreement is terminated as a result of Key Regulatory Approvals not being made, given or obtained, subject to certain conditions. See "The Arrangement – Reasons for the Recommendation" for a more detailed description of these and other principal factors and risks.

Required Shareholder Approval

At the Meeting, pursuant to the Interim Order, the Shareholders will be asked to vote to approve the Arrangement Resolution. The approval of the Arrangement Resolution will require the affirmative vote of: (i) at least 66 2/3% of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class, participating or represented by proxy at the Meeting and entitled to vote, and (ii) a simple

majority of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class, participating or represented by proxy at the Meeting and entitled to vote, other than Mr. Jean-Marc Eustache. See "The Arrangement – Shareholders' Approval of the Arrangement".

All the directors and Executive Officers of the Corporation, who collectively own or exercise control or direction over approximately 3.55% of the Voting Shares, have entered into Support and Voting Agreements pursuant to which they have agreed, subject to the terms thereof, to vote in favour of the Arrangement Resolution. See "The Arrangement – Support and Voting Agreements".

Fairness Opinions

In determining that the Arrangement is in the best interests of the Corporation and is fair to the Shareholders, the Board and the Special Committee considered, among other things, the NBF Fairness Opinion and the BMO Fairness Opinion. The Fairness Opinions, dated October 9, 2020, each state that, subject to the assumptions, qualifications and limitations set forth in each respective opinion, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Shareholders. See "The Arrangement – Fairness Opinions".

Implementation of the Arrangement

The Arrangement will be implemented by way of a court-approved plan of arrangement under the CBCA pursuant to the terms of the Arrangement Agreement. Pursuant to the Plan of Arrangement, the following transactions, among others, will occur:

1.1 each Shareholder, other than Dissenting Shareholders (if any), will be entitled to receive from the Purchaser either $5.00 in cash or 0.2862 Air Canada Shares for each Voting Share, in accordance with such Shareholder's election;

1.2 each holder of Options, whether vested or unvested, shall be entitled to receive a cash payment from the Corporation for each Option in an amount (if any) equal to $5.00 less the applicable exercise price and applicable withholding taxes in respect of such Option;

1.3 each holder of DSUs, PSUs or RSUs, whether vested or unvested, shall be entitled to receive for each unit a cash payment from the Corporation equal to the amount of $5.00, less applicable withholding taxes (in the case of any unvested PSUs or RSUs, at a deemed level of attainment of the Corporation's performance objectives at 100%); and

1.4 all Options, DSUs, PSUs and RSUs outstanding on the Effective Time shall be terminated in accordance with the Plan of Arrangement.

The Plan of Arrangement is attached as Schedule B to this Circular and a copy of the Arrangement Agreement has been filed on SEDAR at www.sedar.com. See "The Arrangement".

The following procedural steps must be taken in order for the Arrangement to become effective: (a) the Required Shareholder Approval must be obtained; (b) the Court must grant the Final Order approving the Arrangement; (c) all conditions precedent to the Arrangement set forth in the Arrangement Agreement, including the receipt of the Key Regulatory Approvals, must be satisfied or waived by the appropriate party; and (d) the Final Order and Articles of Arrangement in the form prescribed by the CBCA must be filed with the Director.

In the event that the Arrangement does not proceed for any reason, including because the Corporation does not receive the Required Shareholder Approval, or fails to obtain the Key Regulatory Approvals or Court approval, Transat will continue as a publicly traded company. See “Risk Factors”.

Support and Voting Agreements

All the directors and Executive Officers of the Corporation, who collectively own or exercise control or direction over approximately 3.55% of the Voting Shares, have entered into Support and Voting Agreements pursuant to which they have agreed to vote in favour of the Arrangement Agreement. See “The Arrangement - Support and Voting Agreements”.

Arrangement Agreement

On October 9, 2020, the Corporation and the Purchaser entered into the Arrangement Agreement, pursuant to which it was agreed, among other things, to implement the Arrangement in accordance with and subject to the terms and conditions contained therein and in the Plan of Arrangement. See “Arrangement Agreement”.

Consideration to be Received by Shareholders Pursuant to the Arrangement

Under the terms of the Arrangement, Shareholders (other than Dissenting Shareholders) may elect to receive, for each Voting Share held, (i) $5.00 in cash or (ii) 0.2862 Air Canada Shares, at the effective time of the Arrangement. The elections made by Shareholders will be subject to rounding, and will not be subject to proration. The Air Canada Shares issued to Shareholders in connection with the Arrangement will be issued based on a reference price of $17.47 per Air Canada Share, which approximates the volume-weighted average trading price of the Air Canada Shares for the thirty (30) trading days preceding September 23, 2020, being the date on which the Consideration under the Arrangement Agreement was under negotiation with Air Canada. Based on the number of issued and outstanding Voting Shares as of October 9, 2020, the date of the Arrangement Agreement, the acquisition of 100% of the equity of Transat represents a total consideration of approximately $189 million.

The purchase price per Voting Share offered under the Arrangement represents a premium of 31.6% to the 20-day volume weighted average price of the Voting Shares of the Corporation on the TSX on October 8, 2020, being the date preceding the date of execution of the Arrangement Agreement.

For more information, see "The Arrangement – Certain Effects of the Arrangement".

Certain Canadian Federal Income Tax Considerations

This Circular contains a summary of certain Canadian federal income tax considerations generally applicable to certain Shareholders who, under the Arrangement, ultimately dispose of one or more Voting Shares to the Purchaser for cash or Purchaser Shares. See “Certain Canadian Federal Income Tax Considerations”.

Dissent Rights

Pursuant to the Interim Order, Registered Shareholders have the right to exercise Dissent Rights with respect to the Arrangement Resolution and, if the Arrangement becomes effective, to be paid the fair value of their Voting Shares in accordance with the provisions of section 190 of the CBCA, as modified by the Interim Order and the Plan of Arrangement. A Registered Shareholder wishing to exercise Dissent Rights with respect to the Arrangement must send to Transat a Dissent Notice, which Dissent Notice must be received by Transat, c/o Bernard Bussières, the Corporation’s Vice-President, General Counsel and Corporate Secretary at: Transat A.T. Inc., Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montréal, Québec, H2X 4C2,

with a copy to (i) Fasken Martineau DuMoulin LLP, 800 Square-Victoria, Suite 3500, Montréal, Québec, Canada, H4Z 1E9, Attention: Mtre Alain Riendeau & Mtre Brandon Farber, email: ariendeau@fasken.com & bfarber@fasken.com, (ii) Stikeman Elliott LLP, 1155 René-Lévesque Blvd. W., 41st Floor, Montréal Québec, H3B 3V2, Attention: Mtre Stéphanie Lapierre, email: slapierre@stikeman.com, and (iii) AST Trust Company (Canada), 1 Toronto Street, Suite 1200, Toronto, Ontario, M5C 2V6, Attention: Proxy Department, or at 2001 Robert-Bourassa Blvd., Suite 1600, Montréal, Québec, H3A 2A6, Attention: Proxy Department by no later than 5:00 p.m. (Montréal time) on December 11, 2020 (or 48 hours, excluding Saturdays, Sundays and statutory holidays, prior to the commencement of the reconvened Meeting if the Meeting is adjourned or postponed), and must otherwise strictly comply with the dissent procedures described in this Circular. See "Dissenting Shareholders' Rights".

Depositary

AST will act as the Depositary for the receipt of share certificates representing Voting Shares and related Letters of Transmittal and Election Forms and the payments to be made to Shareholders pursuant to the Arrangement. See "The Arrangement - Procedure for Exchange of Voting Shares Certificates by Registered Shareholders; Letter of Transmittal and Election Form".

Procedure for the Election and Exchange of Voting Shares Certificates by Shareholders; Letter of Transmittal and Election Form

A letter of transmittal and election form (the "Letter of Transmittal and Election Form") has been mailed, together with this Circular, to each Registered Shareholder on the Record Date.

Each Shareholder (other than a Dissenting Shareholder) may elect to receive in respect of each Voting Share, the Cash Consideration or the Share Consideration. Such election shall be made by depositing with the Depositary, on or prior to the Election Deadline, a duly completed Letter of Transmittal and Election Form indicating such Shareholder's election, together with, as applicable, any certificates representing such Shareholder's Voting Shares and any other documents as described in the Letter of Transmittal and Election Form. The completed Letters of Transmittal and Election Forms must be received by the Depositary on or prior to the Election Deadline, unless otherwise agreed in writing by the Purchaser and the Corporation. Transat will include notice of the Election Deadline in a press release disseminated over newswire service in Canada at the latest on the Business Day immediately before the Election Deadline. Investors who purchase Voting Shares shortly before the Closing Date are hereby advised that they may not have sufficient time in order to submit a duly completed Letter of Transmittal and Election Form by the Election Deadline in respect of such Voting Shares and should consult with their broker, trust company or other Intermediary and seek advice from their professional advisers in advance of any such trades.

Any Shareholder who does not deposit with the Depositary a duly completed Letter of Transmittal and Election Form prior to the Election Deadline, or otherwise fails to comply with the requirements of the Letter of Transmittal and Election Form, shall be deemed to have elected to receive for each Voting Share, the Cash Consideration.

Any Letter of Transmittal and Election Form, once deposited with the Depositary, shall be irrevocable and may not be withdrawn by a Shareholder.

Shareholders whose Voting Shares are registered in the name of an Intermediary should contact that Intermediary for instructions and assistance in delivering Voting Share certificate(s) representing those Voting Shares.

See "The Arrangement - Procedure for Exchange of Voting Shares Certificates by Registered Shareholders; Letter of Transmittal and Election Form".

Stock Exchange Delisting and Reporting Issuer Status

It is expected that the Voting Shares will be delisted from the TSX and that the Corporation will apply to cease to be a reporting issuer in all the provinces of Canada following the completion of the Arrangement. See “Arrangement Agreement - Covenants- Covenants Relating to TSX Delisting”.

Risk Factors

There is a risk that the Arrangement may not be completed. Any failure to complete the Arrangement could materially and negatively impact the trading price of the Voting Shares. Further, Shareholders may elect to receive their Consideration in the form of Air Canada Shares which would expose such Shareholders to the risks related to the business and operations of Air Canada. You should carefully consider the risk factors described in the sections “Risk Factors” and “Risk Factors – Risks Relating to Air Canada” in evaluating the approval of the Arrangement Resolution.

THE ARRANGEMENT

Background to the Arrangement

The following is a summary of the main events that led to the execution of the Arrangement Agreement and certain meetings, negotiations, discussions and actions of the Parties that preceded the execution of the Arrangement Agreement on October 9, 2020 and the public announcement of the Arrangement on October 10, 2020. Certain events subsequent to October 10, 2020 are also described. The description of the main events that led to the execution of the 2019 arrangement agreement provided at pages 6 to 15 of the Corporation's 2019 Circular and filed on SEDAR at www.sedar.com is specifically incorporated by reference to this Circular.

On June 27, 2019, the Corporation and Air Canada entered into the 2019 Arrangement Agreement for the acquisition by Air Canada of all the Voting Shares at an offer price of $13.00 per Voting Share pursuant to a plan of arrangement (the "2019 Proposed Transaction"). A joint press release announcing the 2019 Proposed Transaction was issued on the morning of June 27, 2019 before the opening of trading on the TSX.

On August 10, 2019, various events led Air Canada to increase the purchase price from $13.00 to $18.00 per share. The Board approved such amendments at a meeting held on August 11, 2019, and an amendment to the 2019 Arrangement Agreement was executed by the Corporation and Air Canada the same day.

On August 23, 2019, the Corporation held its special meeting of shareholders, at which the special resolution approving the plan of arrangement under Section 192 of the CBCA and the arrangement with Air Canada was approved by 94.77% of the votes cast at such meeting. The arrangement with Air Canada was also approved by the Court on August 29, 2019.

On August 26, 2019, the Minister of Transport (the "Minister") announced that the 2019 Proposed Transaction raised public interest issues related to national transportation. Specifically, the Minister indicated that a public interest assessment of the 2019 Proposed Transaction was to be conducted with the input from the Commissioner of Competition to assess the impact of the 2019 Proposed Transaction on competition. The Minister also indicated that the Ministry of Transportation had 250 days, namely until May 2, 2020, to complete the public interest assessment and provide a report to the Minister.

On September 17, 2019, the Corporation notified the European Commission of the 2019 Proposed Transaction by sending it the necessary forms and related documentation. An amended version of the required forms was sent to the European Commission on March 2, 2020, and a formal and final version was submitted on April 15, 2020.

Between September 2019 and February 2020, the Corporation's representatives and the members of the Special Committee met on several occasions with the representatives of Fasken Martineau DuMoulin LLP ("Fasken"), legal advisors to the Corporation, the representatives of Norton Rose Fulbright Canada LLP ("NRF"), legal advisors to the Board's special committee, and the representatives of Gide Loyrette Nouel A.A.R.P.I. ("Gide"), European legal advisors to the Corporation with respect to regulatory matters, to follow up on the progress of the regulatory approval process in Europe and in Canada, including with respect to the public consultation process initiated by Transport Canada and the comprehensive work carried out to respond to requests from regulatory authorities.

On March 11, 2020, the Director-General of the World Health Organization announced that COVID-19 had become a pandemic.

On March 14, 2020, the government of Canada announced the state of emergency and prohibited the entry of foreign nationals into Canada. Canada also recommended that Canadians postpone or cancel all nonessential travel outside the country and that Canadians outside the country return as soon as possible.

Following the interruption of its operations in March 2020 due to the COVID-19 pandemic, the Corporation took a series of measures, including the following:

- From April 1st and through July 22, the Corporation suspended all its flights. During this period and thereafter, the Corporation constantly monitored the demand and constraints by destination, in preparation for a gradual resumption of operations;

- In March, as a precautionary measure, the Corporation drew down on its $50 million revolving credit facility;

- Management, as well as the members of the Board, agreed on a voluntary temporary reduction in their compensation ranging from 10% to 20%, which was in place until November 1, 2020, with the exception of Executive Officers whose reductions, ranging from between 15% to 20%, will be maintained until December 31, 2020 and members of the Board whose reduction of 20% will be maintained until February 15, 2021;

- In March, the Corporation decided to early retire all of its Airbus A310 from its fleet;

- In order to protect its cash position and allow for a resumption of operations after the lifting of restrictions, the Corporation granted its customers a travel credit valid for 24 months for non-refundable flights and packages cancelled due to the exceptional circumstances, more specifically because of the travel restrictions imposed by governments. On July 22, 2020, the Corporation announced that such travel credits had become fully transferable, with no expiry date;

- Since March, the Corporation negotiated a number of rent payment deferrals with aircraft lessors and owners of premises it occupies. In addition, the Corporation negotiated cost reductions and changes to its payment terms with its suppliers and implemented measures to reduce its expenses and investments;

- As of March, the Corporation proceeded with the gradual temporary layoff of a large part of its personnel, reaching approximately 85%;

- In April, the Corporation made use of the CEWS for its Canadian workforce, which enabled the Corporation to finance a portion of the salaries of its remaining staff and to offer temporarily laid-off employees the opportunity to receive a portion of their salary equivalent to the amount of the grant received, without work counterpart.

Several measures implemented by the Corporation due to COVID-19 required the amendment of material contracts of the Corporation and Air Canada's consent under the 2019 Arrangement Agreement.

On March 19, 2020, at a follow-up meeting of the Special Committee, Gide's representatives explained that the regulatory approval process in Europe was about to seriously slow down because of COVID-19, teleworking and certain technical problems, despite the excellent pace of the previous few weeks during which the Corporation had responded to numerous requests for information.

On March 27, 2020, seven months after initiating the public interest assessment process of the 2019 Proposed Transaction, the Commissioner of Competition released the advisory report provided to Transport Canada summarizing his assessment of the impact of the 2019 Proposed Transaction on competition. The Commissioner of Competition's report simply examined the impact of the 2019 Proposed Transaction on competition in the marketplace, admittedly without taking into account the impact of COVID-19 on the airline industry and without necessarily contemplating the solutions or mitigation measures that might be implemented by the Parties.

As a result of the numerous government and public health protection measures implemented to counter COVID-19, including border closures and quarantine measures imposed around the world, the number of the Corporation's passengers dropped significantly, resulting in the loss of the vast majority of the Corporation's revenues and a negative impact on the Corporation's liquidity, without any clear visibility on when the situation would return to normal and allow a durable resumption of operations to pre-COVID-19 levels.

Moreover, neither the federal nor provincial governments provided any targeted financial assistance for the airline industry, contrary to the vast majority of countries where the Corporation does business or offers air travel. This resulted into an imminent and substantial need for capital from other sources. Thus, in the weeks that followed the interruption of the Corporation's operations, the Corporation's management took steps to ensure the survival of the business and to secure additional financing, while complying with the terms and conditions of the 2019 Arrangement Agreement.

After having assessed various financing alternatives, on April 27, 2020, the Corporation requested Air Canada's consent with respect to the implementation of the new Subordinated Loan Facility of $250 million on the basis of a non-binding term sheet submitted by National Bank of Canada ("NBC") and Export Development Canada ("EDC"). In connection with its request, the Corporation also supplied Air Canada with an updated version of its budget, financial situation and financial forecasts.

On May 7, 2020, Air Canada informed the Corporation that it could not consent to the implementation of such Subordinated Loan Facility with NBC and EDC, mainly because Air Canada was not then prepared to change the fundamental bargain agreed at the time of the 2019 Arrangement Agreement by assuming the important risks associated with an increase of the Corporation's indebtedness; nor was Air Canada prepared to increase the risk of having the Corporation brought offside its existing debt ratios under its credit agreement, or add incremental costs associated with the proposed new loan facility.

In the weeks that followed, the Corporation tried to find an alternative solution that would allow for the establishment of an additional credit facility sufficient to ensure the survival of the business and its continuity, while preserving the 2019 Proposed Transaction with Air Canada. In particular, the Corporation continued negotiations with its potential lenders to try to secure new financing terms that would allow it to access the necessary financing without the need for Air Canada's consent under the 2019 Arrangement Agreement. As part of this process, Transat also meticulously evaluated the terms of the 2019

Arrangement Agreement that required Air Canada's consent as well as the risks associated with any alternative that would involve proceeding without first securing Air Canada's prior consent.

During that same period, representatives of the Corporation, on behalf of the Corporation and in collaboration with other players of the airline industry, held numerous discussions with representatives of the Government of Canada and the Government of Quebec to seek targeted financial assistance for the industry, as many countries around the world have done. These efforts and discussions were unfruitful.

On May 25, 2020, the European Commission announced that it was opening an in-depth investigation (Phase II) into the acquisition of Transat by Air Canada in order to assess the 2019 Proposed Transaction under the EU Merger Regulation. The extension to Phase II is part of the European Commission's normal process of assessing the impact of transactions submitted for its approval in cases where it is concerned that a transaction may reduce effective competition. In light of the foregoing, the Corporation informed Air Canada of its decision to activate the first one-month deferral period of the outside date for the 2019 Proposed Transaction set forth in the 2019 Arrangement Agreement from June 27, 2020 to July 27, 2020.

On June 3, 2020, Calin Rovinescu, President and Chief Executive Officer of Air Canada, and Jean-Marc Eustache, Chairman of the Board, President and Chief Executive Officer of the Corporation, held a meeting where they discussed a number of issues, including the impact of COVID-19 on the airline industry and the Corporation's additional cash requirements.

Following this meeting, the Special Committee intensified its review of several scenarios developed in collaboration with its and the Corporation's legal and financial advisors in order to preserve the 2019 Proposed Transaction, considering the risks related to its completion, while also protecting the Corporation's activities as a stand-alone entity.

On June 5, 2020, the Corporation's management confirmed to the Board that it was preparing an update to its strategic business plan, which would include a plan for the next five years in order to assess the impact of COVID-19 on the Corporation's operations, cash position, and debt capacity (the "5-Year Plan").

On July 15, 2020, the Corporation gave another notice to Air Canada extending the outside date from July 27 to August 27, 2020.

On July 23, in anticipation of a pick-up in demand in the context of a declining pandemic prevalence, but also of a possible imminent opening of borders in other jurisdictions including Europe, the Corporation announced the resumption of its airline operations after four months of inactivity.

On July 24, 2020, the Board met to review the 5-Year Plan which included a summary of the financial forecasts and cash requirements of the Corporation over the next months. The Board found that short term financing was necessary to ensure the Corporation's sustainability, the continuation of its operations, and to preserve the Corporation as a stand-alone entity should the 2019 Proposed Transaction not be completed. Given the economic situation and the time required to obtain the necessary regulatory approvals, it was also agreed that it had become unrealistic for the Corporation to maintain its operations and to comply with the terms and conditions of the 2019 Arrangement Agreement until the proposed closing deadline without short term financing. Hence, at such meeting, the Board

approved the amendments to its senior credit facility, as well as the new subordinated credit agreement, subject to Air Canada's consent.

On July 30, 2020, a representative of the Corporation's financial advisor met with a representative of Air Canada to discuss the possibility of a financing for the Corporation.

On August 7, 2020, the representatives of the Corporation, its financial advisors, and representatives of Air Canada met to discuss the Corporation's intention to implement a new junior loan facility. On that occasion, Air Canada's representatives stated that they could be amenable to provide their consent for the establishment of such a facility, but that the granting of any consent would require the renegotiation of the terms of the 2019 Proposed Transaction so as to take into account, among other things, the material impacts of such a financing on the Corporation and its financial situation, risks and prospects, including in the context of the COVID-19 pandemic.

In the days that followed, management of the Corporation and its financial advisors again reviewed and determined the terms of a non-binding term sheet for a proposed $250 million financing with a delayed draw option, in addition to thoroughly assessing possible scenarios for the implementation of such a financing, including with or without Air Canada's consent, and the possible risks and impact of any such scenarios on the 2019 Proposed Transaction.

On August 10, 2020, Transat sent the new financing proposal to Air Canada in order to obtain its consent.

On August 17, 2020, given that the resumption of operations was less successful than anticipated, the Corporation's financial position and its need for cash, the significant and adverse impact of the COVID-19 pandemic, the terms and conditions of the 2019 Arrangement Agreement, as well as the deadline and the likelihood of receiving the required regulatory approvals, and after consulting with its legal and financial advisors, the Special Committee came to the conclusion that completion of the 2019 Proposed Transaction before December 27, 2020 was unlikely. The Special Committee, therefore, decided to take steps with a view to considering whether a renegotiation of the terms of the 2019 Proposed Transaction was in the best interests of the Corporation.

On August 19, 2020, the Corporation again gave notice to Air Canada extending the outside date to September 27, 2020.

On August 22, 2020, Air Canada's legal advisors provided an initial draft of the Arrangement Agreement to Transat's legal advisors. In the weeks that followed, the Corporation, Air Canada and their respective legal and financial advisors held several discussions and negotiation sessions to review and agree on the principal terms of the 2019 Proposed Transaction.

On August 24, 2020, after having received an update report from the Chair of the Special Committee and the financial and legal advisors of the Corporation, the Board determined that a renegotiation of the terms of the 2019 Proposed Transaction at acceptable terms allowing the implementation of the contemplated financing and enhancing the chances of consummating a transaction could be worth pursuing in the best interests of the Corporation.

On September 1, 2020, with retroactive effect to August 20, 2020, the European Commission lifted the suspension of its review timeline (which had been suspended as of June 9, 2020) and set a new preliminary

deadline of December 11, 2020 for the release of its final decision. This deadline has been extended to January 8, 2021 and could be further extended under certain circumstances.

On September 4, 2020, the Corporation notified Air Canada that it was withdrawing its request for consent sent to Air Canada on August 10, 2020 regarding the new financing proposal. On the same day, Air Canada acknowledged receipt of the Corporation's letter and indicated that, had it not been for the withdrawal of the request for consent, Air Canada would have refused the implementation of the Subordinated Loan Facility, as the implementation of such a financing would have significantly altered the Corporation's cash position and risk profile.

On September 9, 2020, the Corporation released its financial results for the third quarter, indicating, among other things, that COVID-19 continued to affect travellers' decisions, discouraging many from travelling abroad. As a result, the resumption of operations was less successful than anticipated.

On September 15, 2020, Calin Rovinescu, President and Chief Executive Officer of Air Canada, and Jean-Marc Eustache, Chairman of the Board, President and Chief Executive Officer of the Corporation, together with other senior representatives of Air Canada and the Corporation and a representative of NBF, held a meeting whereby the status of the 2019 Proposed Transaction and the renegotiation of its terms, including certain outstanding elements and potential next steps, were discussed between the parties.

On September 18, 2020, the Corporation notified Air Canada that it was extending the outside date to October 27, 2020.

On September 24, 2020, Air Canada sent the Corporation a revised proposal, which included, among several revised terms, a proposed purchase price of $5.00 per share. Air Canada indicated the proposed terms and conditions, including the price, took into account the difficult situation in the airline industry, the financial situation and risk profile of the Corporation in comparison with those prevailing August 2019 and the establishment of the financing to which Air Canada was willing to consent under the revised terms. Air Canada also provided initial drafts of various other documents relating to the 2019 Proposed Transaction, including a revised plan of arrangement, which now provided, at the request of the Corporation, the possibility for the shareholders of the Corporation to receive, at their option, the purchase price in cash or in shares of Air Canada, thereby allowing them to participate in the potential of the combined business. Fasken and NRF continued their review of the various drafts, in conjunction with the Corporation and the Special Committee.

Beginning on September 25, 2020, the Corporation (including through the Special Committee) and Air Canada, as well as their respective advisors, actively negotiated the terms and conditions of the Arrangement Agreement and the other definitive agreements relating to the revised 2019 Proposed Transaction.

On September 28, 2020, the European Commission issued its Phase II Statement of Objections, which sets out the European Commission's preliminary views on the 2019 Proposed Transaction since its Phase I Decision to which the parties are entitled to respond to provide their written observations with respect to the findings in the Statement of Objections.

On that same day, the Corporation held confidential meetings with some of its major shareholders to discuss the Corporation's new circumstances.

On October 2, 2020, a negotiation session was held between the management of the Corporation, the management of Air Canada, and their respective legal advisors, during which the Parties finalized the negotiation of certain outstanding items. On the same day, the Parties initiated the due diligence process, which ended on October 9, 2020. Each Party invested considerable time and resources to complete this exercise.

Between March 11, 2020 and October 9, 2020, the Special Committee met 21 times with its legal advisors and the Corporation's legal and financial advisors to discuss the impact of the pandemic on the Corporation, the progress of the regulatory approval process and the immediate need for financing.

The Board met on October 9, 2020 to review the revised 2019 Proposed Transaction and proceed to examine its principal terms set out in the Arrangement Agreement, as well as to receive advice from NBF, BMO, Fasken and NRF.

At that meeting, NBF presented a detailed report of its analysis and informed the Board of its conclusion to the effect that, subject to the assumptions, limitations and qualifications contained in the NBF Fairness Opinion, as at October 9, 2020, the new consideration of $5.00 in cash or 0.2862 of a Purchaser Share to be received by the Shareholders of the Corporation under the Arrangement, is fair, from a financial point of view, to such shareholders. BMO also presented a report of its analysis and informed the meeting of its conclusion to the effect that, subject to the assumptions, limitations and qualifications contained in the BMO Fairness Opinion, as at October 9, 2020, the consideration of $5.00 in cash or 0.2862 of Purchaser Share to be received by the Shareholders of the Corporation under the Arrangement, is fair, from a financial point of view, to such Shareholders.

Following the presentations by NBF and BMO, Fasken and NRF provided the members of the Special Committee with a summary of the important terms and conditions of the Arrangement Agreement, the revised Plan of Arrangement and the D&O Support and Voting Agreements. Fasken and NRF also reviewed, analyzed and discussed in depth with the members of the Board the directors' fiduciary duties in the context of evaluating of the Arrangement Agreement and revised 2019 Proposed Transaction.

The members of the Board then discussed the presentations made by all of the advisors and the documents that were provided, as well as the merits of executing the Arrangement Agreement and eventually proceeding with the revised 2019 Proposed Transaction, and deliberated on the advantages of the revised 2019 Proposed Transaction. The Board then received the unanimous recommendation of the Special Committee. At the end of such meeting, the Board ratified the conclusions of the report of the Special Committee and unanimously approved the revised 2019 Proposed Transaction and the execution of the Arrangement Agreement.

The Arrangement Agreement, the D&O Support and Voting Agreements and the other definitive agreements relating to the revised 2019 Proposed Transaction were then finalized and executed, and a joint press release announcing the revised 2019 Proposed Transaction was issued by the Corporation at noon on October 10, 2020.

On October 12, 2020, Air Canada and Transat provided the European Commission with their written observations regarding the Statement of Objections released on September 28, 2020.

Recommendation of the Special Committee

After receipt of the Fairness Opinions and receipt of advice from financial and outside legal advisors, and after having considered all relevant factors, including the terms of the 2019 Arrangement Agreement and the status of the transaction contemplated thereby, the Special Committee unanimously determined that the Arrangement is in the best interests of the Corporation and is fair to the Shareholders, and unanimously recommended that the Board approve the Arrangement and recommend that Shareholders vote FOR the Arrangement Resolution.

Recommendation of the Board

After careful consideration, including the receipt of the Fairness Opinions, after consulting with and receiving advice from financial and outside legal advisors, and after receiving the unanimous recommendation of the Special Committee and having considered all relevant factors, including the terms of the 2019 Arrangement Agreement and the status of the transaction contemplated thereby, the Board has unanimously determined that the Arrangement is in the best interests of Transat and is fair to the Shareholders, and unanimously recommends that the Shareholders vote FOR the Arrangement Resolution.

Reasons for the Recommendation

The Special Committee and the Board, with the assistance of Transat's management and financial and legal advisors, carefully reviewed the proposed Arrangement and the terms and conditions of the Arrangement Agreement and all related agreements and documents, and in making their respective determinations and unanimous recommendations, the Special Committee and the Board considered and relied upon a number of substantive factors, including the terms of the 2019 Arrangement Agreement and the status of the transaction contemplated thereby, and the factors discussed below.

- Continued Viability and Preservation of Shareholder Value
    - *Air Canada Consent to Financing*

The Arrangement Agreement has been negotiated in the context of allowing the implementation of the Financing, with a view to protect Transat's going concern. The sudden and unpredictable COVID-19 health crisis and the resulting travel restrictions, interruption of operations and collapse in traffic and demand have caused a significant fall in Transat's cash position and revenues. Moreover, without, at the time of negotiations, any targeted governmental support for the airline industry and travel, hotel and tourism industries (contrary to most other jurisdictions including the United States, Australia and several European countries such as France, Germany and the Netherlands), and in the context of the Canadian government maintaining some of the most stringent border restrictions and quarantine requirements, the resumption of operations since July 23, 2020 and the resulting burn rate have significantly worsened Transat's cash position and liquidity. This translated into an imminent and substantial need for additional capital. However, the 2019 Arrangement Agreement contained a number of constraints on Transat which prevented it from pursuing financing transactions which fell outside a narrow set of parameters without Air Canada's consent.

As a condition to entering into the Arrangement Agreement, Air Canada consented to Transat immediately implementing the Financing, providing it with necessary flexibility in the context of the current business and economic environment, including the temporary waiver of certain financial ratios.

Securing such consent from Air Canada was critical in the decision to revisit the terms of the 2019 Arrangement Agreement with Air Canada. Given the uncertainty related to the duration and severity of the COVID-19 pandemic and continuing restrictions on non-essential travel without, at the time of negotiations, any targeted governmental support for the airline industry or the travel, hotel and tourism industries, together with the uncertainty surrounding the obtaining of the Key Regulatory Approvals (as described herein), securing this Financing at this time was a necessary, prudent decision for Transat's going concern and viability, and in line with similar actions taken by nearly all airlines around the world.

Moreover, the Special Committee and the Board are of the view, after consultation with financial advisors and legal counsels, that entering into the Arrangement Agreement was the only available alternative allowing Transat to secure the Financing without the risk of causing the loss of the prospect of a transaction with Air Canada (or of the prospect of receiving the Reverse Termination Fee in the event that the Arrangement Agreement was terminated as a result of Key Regulatory Approvals not being made, given or obtained).

- *Available Alternatives in the Context of the 2019 Arrangement Agreement and Stand-Alone Business Plan*

The Special Committee and the Board, in consultation with financial advisors and legal counsels, assessed the alternatives reasonably available to Transat in the context of the 2019 Arrangement Agreement, given the significant execution risks and uncertainties associated with both the 2019 Arrangement Agreement and the pursuit of the stand-alone business plan of the Corporation.

The current context of the COVID-19 health crisis and the resulting travel restrictions and collapse in traffic and demand, and the continuing uncertainty about when borders will reopen, both in Canada and at the destinations the Corporation flies to, combined with Canada's stringent quarantine requirements and lack of governmental support for the airline industry or the travel, hotel and tourism industries (contrary to most other jurisdictions including the United States, Australia and several European countries such as France, Germany and the Netherlands), significantly increases the execution risks of, and uncertainties associated with, Transat's capacity to operate as a going concern pursuant to its stand-alone business plan and delays its potential benefits.

The Arrangement (with the implementation of the Financing) is expected to provide Transat with the greatest chance of success relative to the alternatives reasonably available to it in the context of the 2019 Arrangement Agreement. These alternatives included, among others: (i) reducing operations and suspending expenditures in an attempt to avoid having to raise capital, while seeking to obtain the Key Regulatory Approvals prior to the Original Outside Date, the whole under current market conditions and the restrictive covenants imposed and having regard to Air Canada's obligations related to obtaining such approvals under the 2019 Arrangement Agreement; and (ii) continuing to operate, and implementing the Financing without Air Canada's consent, thereby potentially facing allegations of breach of the restrictive covenants in the 2019 Arrangement Agreement and potential termination of the 2019 Arrangement Agreement by Air Canada, thereby risking the loss of this option to the detriment of all stakeholders without payment of any Reverse Termination Fee.

Having regard to the circumstances described herein, the Special Committee and the Board are of the view, after consultation with financial advisors and legal counsels, that the execution of the Arrangement Agreement and the concurrent implementation of the Financing is expected to provide Transat with the

greatest chance of success relative to the scenarios in (i) and (ii) above and the pursuit of its stand-alone business plan, and as such represents the best prospect currently available for its continued viability and the preservation of Shareholder value, and therefore is the best option available for all Transat stakeholders, including Shareholders, employees, creditors, suppliers, customers and partners.

- Consideration Payable to Shareholders

    - *Premium over Market Price*

The purchase price per Voting Share offered under the Arrangement represents a premium of 31.6% to the 20-day volume-weighted average price of the Voting Shares on the TSX on October 8, 2020, the date prior to the date on which the Arrangement Agreement was entered into with Air Canada.

    - *Value Offered under Arrangement More Favourable than Other Available Alternatives including Strategic Business Plan*

The Special Committee and the Board are of the view, after consultation with Transat's management and financial advisors, that the value offered to Shareholders under the Arrangement is more favourable to Shareholders than the value that could potentially result from other alternatives reasonably available to the Corporation in the context of the 2019 Arrangement Agreement, including the Corporation continuing to pursue its strategic business plan, taking into account the significant execution risks, completion uncertainty and other factors deemed relevant by the Special Committee and the Board, including, but not limited to, the current context of the COVID-19 health crisis and the resulting travel restrictions and collapse in traffic and demand, with Canada maintaining some of the most stringent border restrictions and still requiring a 14-day quarantine for people returning from abroad, and, at the time of negotiations, the absence of any targeted governmental support for the airline industry or the travel, hotel and tourism industries (contrary to several other jurisdictions).

    - *Cash Consideration*

Shareholders can elect to receive the Consideration to be paid to them pursuant to the Arrangement entirely or partly in cash, by electing to receive the Cash Consideration for some or all of their Voting Shares, which would provide Shareholders with certainty of value and immediate liquidity.

    - *Potential Upside with Air Canada Shares*

Shareholders can elect to receive the Consideration to be paid to them pursuant to the Arrangement entirely or partly in Air Canada Shares, by electing to receive the Share Consideration for some or all of their Voting Shares. Air Canada Shares issuable as Share Consideration will be issued on the basis of a price of $17.47 per Air Canada Share, translating into an exchange ratio of 0.2862 Air Canada Share per Voting Share. The price set for the Air Canada Shares under the exchange ratio approximates the volume-weighted average trading price of the Air Canada Shares on the TSX for the thirty (30) trading days preceding September 23, 2020, being the date on which the Consideration under the Arrangement Agreement was under negotiation with Air Canada. Each of the Special Committee and the Board believes that this share payment alternative provides upside opportunity by offering Shareholders the ability to participate in the potential long-term value that could be created by Air Canada, and in the airline industry generally, in a post-COVID-19 recovery environment, as well as sharing in the expected synergies resulting from the combination of the two companies.

- Regulatory Approvals and Reverse Termination Fee

Another key factor in the Special Committee's and the Board's decision was Transat's evaluation of the low likelihood of obtaining the required Regulatory Approvals, including the Key Regulatory Approvals, before the Original Outside Date under the 2019 Arrangement Agreement, taking into account the significant and adverse impact of the COVID-19 pandemic on the Purchaser's original motivations for completing the transaction at the price set initially, and having regard to Air Canada's obligations related to obtaining such approvals under the 2019 Arrangement Agreement.

The process of obtaining the required Regulatory Approvals, including the Key Regulatory Approvals, under the 2019 Arrangement Agreement has been significantly and adversely affected by factors beyond the Parties' control and related to the COVID-19 pandemic and its devastating impact on the worldwide airline, travel and tourism industries. Among other things, the vast majority of North American, European and international air carriers have requested financial assistance measures, but have had to implement reductions in capacity (as the Corporation did), which could impact the obtaining of Key Regulatory Approvals, especially regarding the appropriate package of remedies aimed at obtaining those approvals. With the passage of time, the concerns raised by regulatory agencies and the challenges posed by the post COVID-19 environment, the Special Committee and the Board came to the conclusion, after consultation with specialised regulatory and other advisors, that the 2019 Arrangement Agreement, having regard to Air Canada's obligations thereunder related to obtaining the required Regulatory Approvals was unlikely to be sufficient to secure such approvals prior to the Original Outside Date, and that the 2019 Arrangement was therefore unlikely to be consummated.

The Special Committee's and the Board's assessment, after consultation with specialised regulatory and other advisors, is that under current market and economic conditions, with the devastating impact of the COVID-19 pandemic on the worldwide airline, travel and tourism industries, the required Regulatory Approvals, including the Key Regulatory Approvals, are more likely to be obtained on terms and conditions reasonably satisfactory to the Corporation and Air Canada and within the timeframe set out in the Arrangement Agreement, including the Outside Date, relative to the likelihood of such approvals being obtained under the 2019 Arrangement Agreement within the Original Outside Date, having regard in each case to Air Canada's obligations related to obtaining such approvals under the applicable agreements. The Arrangement Agreement also provides for the payment by Air Canada of the Reverse Termination Fee in the event that the Arrangement Agreement is terminated as a result of Key Regulatory Approvals not being made, given or obtained, subject to certain conditions.

- Fairness Opinions

Each of NBF and BMO provided an opinion to the effect that, as at October 9, 2020 and subject to the scope of review, assumptions, qualifications and limitations set forth in their respective opinions, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Shareholders. The full text of the Fairness Opinions, setting out the assumptions and limitations and qualifications on the review undertaken in connection with such Fairness Opinions, is attached as Schedule C and Schedule D of the Circular. The summary of each Fairness Opinion included in this Circular is qualified in its entirety by reference to the full text of the applicable Fairness Opinion. Neither Fairness Opinion is a recommendation as to whether or not Shareholders should vote in favour of the Arrangement.

- Effect of the Arrangement on the Corporation, its Operations and Stakeholders

The Special Committee and the Board are of the view that the terms of the Arrangement Agreement treat the stakeholders of the Corporation fairly, while preserving value for the Shareholders, considering that a combination of Air Canada and Transat is expected to give Transat new avenues for growth to create a global Montreal-based combined company.

Relative to other alternatives reasonably available to the Corporation in the context of the 2019 Arrangement Agreement (including the pursuit of the Corporation's stand-alone business plan), entering into the Arrangement Agreement allowed Transat to implement the Financing, in the interest of Transat's going concern and all its stakeholders, without the risk of causing the loss of the prospect of a transaction with Air Canada (or of the prospect of receiving the Reverse Termination Fee in the event that the Arrangement Agreement was terminated as a result of Key Regulatory Approvals not being made, given or obtained). Under current circumstances (having regard to the execution risks and completion uncertainty as described herein), the Arrangement Agreement strengthens the prospect of Shareholders having the option to sell their Voting Shares at a fair price (with the share payment alternative providing upside opportunity by offering Shareholders the ability to participate in the potential long-term value that could be created by Air Canada, and in the airline industry generally, in a post-COVID-19 recovery environment, as well as sharing in the expected synergies resulting from the combination of the two companies). Moreover, the improved prospect of a transaction with Air Canada being completed under the Arrangement Agreement and the implementation of the Financing having regard to Transat's going concern are in the best interests of Transat's creditors and stakeholders generally.

The pursuit of any other strategic alternative seeking to preserve the 2019 Arrangement Agreement under current circumstances represented a greater risk of causing the loss of the prospect of a transaction with Air Canada (thereby depriving the Corporation and all of its stakeholders, including Shareholders, of this opportunity), which was not justified by the unrealistic prospect and low probability of the potential upside for Shareholders (limited to a higher price per Voting Share) under the 2019 Arrangement Agreement.

Considering Air Canada's intention to preserve the Transat and Air Transat brands and maintain the Transat head office and its key functions in Montréal (as stated in the press release dated June 27, 2019 announcing the 2019 Arrangement Agreement), the Special Committee and the Board consider that the Arrangement with Air Canada affords the best opportunity to safeguard long-term employment prospects, in a post-COVID-19 recovery environment. Air Canada is a preferred buyer with proven ability, skills, experience and expertise to successfully operate in several of the complex and highly competitive fields of activities in which the Corporation operates including the airline and tour operator industries. There is no doubt that Air Canada possesses the required capabilities, as well as the necessary financial and other resources to successfully operate the Corporation's business on a long term basis, in a post-COVID-19 recovery environment, which offers the best prospect of preserving skilled and specialized jobs, especially in Québec.

The Arrangement Agreement also contains restrictions on, among other things, significant transactions, changes of business and capitalization by the Corporation, and restrictions on the ability to incur additional debt, until the Arrangement is completed or the Arrangement Agreement is terminated. The Arrangement Agreement contains substantially similar restrictions as that of the 2019 Arrangement Agreement (subject however to certain stricter materiality thresholds) and a new Net Indebtedness

Condition as a condition of Closing. These restrictions, which were highly negotiated, were considered reasonable to accept, and not unduly burdensome, by the Special Committee and the Board, given the circumstances giving rise to the Arrangement Agreement and in light of the period between the date of the Arrangement Agreement and the Outside Date.

Finally, in order for the Arrangement to proceed, the Governor in Council will need to be satisfied that the completion of the Arrangement is in the public interest.

- Procedural Safeguards and Fairness

In making its determinations and recommendations, the Special Committee and the Board also observed that a number of procedural safeguards were and are present to allow the Special Committee and the Board to effectively represent the interests of Transat and the Shareholders, including, among others:

- *Arm's Length Negotiations*

The Special Committee and Transat, with the assistance of financial advisors and legal counsel, conducted robust, arm's-length negotiations with Air Canada of the key economic terms of the Arrangement and oversaw the negotiation of other material terms of the Arrangement Agreement and the Arrangement.

- *Special Committee and Board Oversight*

The Special Committee, which is comprised entirely of independent directors, oversaw, reviewed and considered, and directly participated in the negotiation of, the Arrangement. The Special Committee and the Board were advised by experienced and qualified financial and legal (including specialised regulatory) and other advisors. The Arrangement was unanimously recommended to the Board by the Special Committee, and was unanimously approved by the Board, which is comprised of twelve (12) directors, eleven (11) of whom are non-management and independent.

- *Required Shareholder Approval and Court Approval*

The Arrangement is subject to Shareholder and Court approvals, which provide additional protection to Shareholders. The Arrangement Resolution must be approved by the affirmative vote of (i) at least 66 2/3% of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class, participating or represented by proxy at the Meeting and entitled to vote, and (ii) a simple majority of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class, participating or represented by proxy at the Meeting and entitled to vote, other than Mr. Jean-Marc Eustache. See "The Arrangement – Shareholders' Approval of the Arrangement". The Arrangement must also be approved by the Court, which will consider, among other things, the fairness and reasonableness, both procedurally and substantively, of the Arrangement to Shareholders.

- *Dissent Rights*

Registered Shareholders may, upon compliance with certain conditions and in certain circumstances, exercise dissent rights and, if ultimately successful, receive fair value for their Voting Shares as determined by the Court. See "Dissenting Shareholders' Rights".

- *Ability to Consider Acquisition Proposals and to Respond to and Accept a Superior Proposal*

The Arrangement Agreement does not preclude unsolicited Acquisition Proposals from other parties which may be considered by the Board in certain circumstances under the Arrangement Agreement. The Arrangement Agreement sets out a clear and precise framework and mechanism with which other potentially interested parties may abide to submit an Acquisition Proposal, obtain access to the Corporation's confidential information and ultimately qualify as a "Superior Proposal". In light of the significant completion uncertainty associated with the 2019 Arrangement Agreement as described herein, and given the flexibility afforded to the Board by the provisions of the Arrangement Agreement (which flexibility the Board did not have during the remaining term of the 2019 Arrangement Agreement), the Board determined that it was in the best interests of the Corporation, taking into account the interests of all stakeholders, to enter into the Arrangement Agreement. See "Background to the Arrangement".

For instance, if at any time prior to obtaining the Required Shareholder Approval, the Corporation receives a bona fide unsolicited written Acquisition Proposal and the Board first determines (based upon, *inter alia*, the recommendation of the Special Committee) in good faith, after consultation with its financial advisors and its outside legal counsel, that such Acquisition Proposal constitutes or could reasonably be expected to constitute or lead to a Superior Proposal and the other conditions set forth in the Arrangement Agreement have been satisfied, the Corporation may engage in or participate in discussions or negotiations with such Person regarding such Acquisition Proposal, and provide access to confidential information of the Corporation for such Person to conduct a reasonable due diligence process.

Moreover, the Arrangement Agreement permits the Corporation to accept a Superior Proposal in certain circumstances. Accordingly, subject to the terms and conditions of the Arrangement Agreement, if a Superior Proposal were to be made that Air Canada did not match, the Corporation may accept it upon paying the applicable Termination Fee. See "Arrangement Agreement - Covenants Regarding Non-Solicitation".

- *Preservation of Change in Recommendation*

The Arrangement Agreement preserves the right of the Board to make a Change in Recommendation in certain circumstances not related to any Acquisition Proposal, in response to any Intervening Event (see "Glossary of Terms"), if the Board (based upon, amongst other things, the recommendation of the Special Committee) has determined in good faith, after consultation with the Corporation's outside legal counsel and financial advisers, that the failure by the Board to make such a Change in Recommendation in response to such Intervening Event would be inconsistent with its fiduciary duties. If the Arrangement Agreement is terminated by Air Canada in the event of a Change in Recommendation in connection with an Intervening Event, the applicable Termination Fee will be payable by Transat to Air Canada.

- *Appropriateness of Deal Protection Measures and Termination Fee*

The Termination Fee, Air Canada's right to match and other deal protection measures contained in the Arrangement Agreement are appropriate inducements to Air Canada to enter into the Arrangement Agreement. The quantum of the Termination Fee is reasonable for a transaction of this nature and, in the views of the Special Committee and the Board, after consultation with the Corporation's financial advisors, the Termination Fee and other deal protection measures contained in the Arrangement Agreement would

not preclude a third party from making a potential Superior Proposal, nor the Board from responding to an Intervening Event.

- Deal Certainty

    - *No Due Diligence or Financing Condition*

The completion of the Arrangement is not subject to any due diligence or financing condition. Moreover, the Special Committee and the Board are reasonably comfortable that Air Canada has the funds necessary to complete the Arrangement and pay the aggregate Cash Consideration payable to Shareholders.

    - *Deal Certainty and Risks*

In light of the significant execution risk and completion uncertainty associated with other alternatives reasonably available to the Corporation in the context of the 2019 Arrangement Agreement and with the pursuit of the Corporation's stand-alone business plan, as described herein, it was decided to secure Air Canada's proposal by entering into the Arrangement Agreement (which replaces and terminates the 2019 Arrangement Agreement), in the interest of all stakeholders. After careful consideration of all applicable circumstances, and after consultation with financial advisors, legal counsel and specialised regulatory and other advisors, the Special Committee and the Board are of the view that the Arrangement Agreement offers a greater degree of deal certainty relative to the 2019 Arrangement Agreement (particularly as regards the likelihood of securing the Key Regulatory Approvals) and less execution and long term risks relative to other alternatives reasonably available to it in the context of the 2019 Arrangement Agreement, including the pursuit of the Corporation's stand-alone business plan.

    - *Limited Number of Conditions*

Air Canada's obligation to complete the Arrangement is subject to a limited number of conditions that the Special Committee and the Board believe were reasonable to accept, given the circumstances giving rise to the Arrangement Agreement.

- Limited Number of Other Potential Acquirors

As a result of the nature of the Corporation's business and the lack of synergies with the Corporation, it is unlikely that any non-strategic investors (such as private equity investors) would be capable of paying, and be prepared to pay, a higher price to acquire the Corporation given its business model.

In addition, having regard to the regulatory constraints relating to Canadian control under the CT Act facing any potential acquirer, the number of potential acquirers is further limited.

Moreover, given current market and economic conditions and the devastating impact of the COVID-19 pandemic on the worldwide airline, travel and tourism industries, as well as the Corporation's imminent liquidity needs without, at the time of negotiations, any targeted governmental support for the airline industry or the travel, hotel and tourism industries, the universe of potential acquirers was considered to be even further limited.

Lastly, given the restrictive covenants under the 2019 Arrangement Agreement, the Special Committee and the Board were limited in the strategic alternatives available for consideration in the context of negotiating the Arrangement Agreement.

- Other Relevant Factors

In addition to the above-mentioned factors, the Special Committee and the Board also considered the following factors:

(a) the Special Committee's assessment of the current and anticipated opportunities and the risks associated with the business, operations, prospects, assets, financial performance and condition of the Corporation if it were to continue as a stand-alone entity, including the execution risks and uncertainties associated with its strategic plan and other factors, such as the current market and economic conditions and the devastating impact of the COVID-19 pandemic on the worldwide airline, travel and tourism industries and the resulting regulatory context;

(b) given the restrictive covenants under the 2019 Arrangement Agreement, the Special Committee and the Board were limited in the strategic alternatives available for consideration in the context of negotiating the Arrangement Agreement; and

(c) the Special Committee concluded, after extensive and robust negotiations with Air Canada, that the Consideration agreed to was the highest price that could be obtained and that further negotiation could have caused Air Canada to withdraw its proposal, which would have deprived the Corporation and its stakeholders of this opportunity.

The Special Committee and the Board also considered a number of potential risks and negative factors relating to the Arrangement, including:

(a) the Special Committee has not conducted a solicitation process prior to entering into the Arrangement Agreement, having regard to the fact that (i) given the 2019 Arrangement Agreement, the Special Committee and the Board were limited in the strategic alternatives available for consideration in the context of negotiating the Arrangement Agreement, (ii) conducting a solicitation process after terminating the 2019 Arrangement Agreement and prior to entering into the Arrangement Agreement could have caused Air Canada to withdraw its proposal, which would have deprived the Corporation and its stakeholders of this opportunity, and (iii) the Arrangement Agreement allows the Corporation to respond to and accept an unsolicited Superior Proposal that is not matched by Air Canada, provided that the Corporation pays the applicable Termination Fee;

(b) the Consideration payable to Shareholders under the Arrangement Agreement is significantly lower than the cash consideration per Voting Share that was provided for under the 2019 Arrangement Agreement, which means that Shareholders will receive lesser value per Voting Share (whether in cash or in Air Canada Shares) in exchange for their Voting Shares under the Arrangement Agreement than they would have received under the 2019 Arrangement Agreement, assuming the satisfaction or waiver of all of the conditions precedent set forth in the 2019 Arrangement Agreement, including

obtaining the Key Regulatory Approvals, and that the transaction contemplated under the 2019 Arrangement Agreement had been successfully completed (which the Board and the Special Committee, as described elsewhere in this Circular, concluded had become unlikely);

(c) the risk of the loss of availability of the Financing to the detriment of Transat's going concern and stakeholders, both as a result of the passage of time given current market and economic conditions or in the event the transaction with Air Canada was not consummated;

(d) the recent implementation of the Financing does not alleviate Transat's substantial liquidity requirements in the short or long-term, as described under "Risk Factors - Risks Relating to the Arrangement – Restrictive Covenants of the Corporation until the Effective Time and Uncertainty may adversely affect the Corporation's business". Notwithstanding the implementation of the Financing, in the event that the Arrangement is not completed, Transat will need to raise additional capital to finance its operations and repay outstanding debt. In the event that Transat is not able to raise such additional capital, or should such capital not be available when needed on commercially reasonable terms, the business, financial conditions and operations of Transat may be materially adversely affected, and there may be a significant risk as to the viability of the Corporation and its ability to continue operating as a going concern, which could force Transat to proceed with a reorganization of operations that could reduce substantially all of the value of its equity;

(e) the conditions to Air Canada's obligation to complete the Arrangement and the rights of Air Canada to terminate the Arrangement Agreement in certain circumstances, which the Special Committee and the Board believe were reasonable to accept given the circumstances giving rise to the Arrangement Agreement;

(f) the risks to the Corporation if the Arrangement is not completed, including the costs to the Corporation in pursuing the Arrangement, the diversion of management's attention away from conducting the Corporation's business in the ordinary course and the pursuit of alternative financing arrangements, the potential negative and irreparable impact on the Corporation's business relationships (including with current, future and prospective employees, customers, suppliers, creditors and partners, among others), and the considerable time required to implement the Corporation's hotel development strategy and significant execution risks relating thereto;

(g) the restrictions imposed pursuant to the Arrangement Agreement on the conduct of the Corporation's business during the period between the date of the Arrangement Agreement and the consummation of the Arrangement, including restrictions on the ability to incur additional debt and the new Net Indebtedness Condition (which are in addition to the restrictions contained in the 2019 Arrangement Agreement), all of which were highly negotiated, and were considered reasonable to accept, and not unduly burdensome, by the Special Committee and the Board, given the circumstances giving rise to the Arrangement Agreement and the period between the date of the Arrangement Agreement and the Outside Date;

(h) the risk that events may arise which could prevent Air Canada from consummating the Arrangement;

(i) the risks relating to obtaining the Key Regulatory Approvals by the Outside Date, having regard to the nature of such approvals, the subjective factors to be applied by the regulators and Air Canada's obligations related to obtaining such approvals, as compared with the risks relating to obtaining the Key Regulatory Approvals by the Original Outside Date having regard to Air Canada's obligations related to obtaining such approvals under the 2019 Arrangement Agreement; and

(j) the risk that the Required Shareholder Approval might not be obtained at the Meeting.

In light of the foregoing, the Board and the Special Committee believe that, overall, the anticipated benefits of the Arrangement Agreement to Transat and its stakeholders significantly outweigh the potential risks, potential negative factors and potentially adverse implications.

The foregoing summary of the information and factors considered by the Special Committee and the Board is not intended to be exhaustive of the factors considered by the Special Committee and the Board in reaching their respective conclusions and making their respective recommendations, but includes the material information, factors and analysis considered by the Special Committee and the Board in reaching such conclusions and making such recommendations. The members of the Special Committee and the Board evaluated the various factors summarized above in light of their own knowledge of the business of the Corporation and the industry in which the Corporation operates and of the Corporation's financial condition and prospects, and having considered all relevant factors including the terms of the 2019 Arrangement Agreement and the status of the transaction contemplated thereby, and were assisted in this regard by the Corporation's management and legal and financial advisors, as well as specialised regulatory and other advisors, and in the case of members of the Special Committee, the Special Committee's legal advisors. In reaching the determination to approve and recommend the Arrangement, the Special Committee and the Board did not assign any relative or specific weights to the foregoing factors, and individual directors may have given different weights to different factors. The Special Committee's and the Board's reasons for recommending the Arrangement include certain assumptions relating to forward-looking information, and such information and assumptions are subject to various risks. See "Cautionary Statements" and "Risk Factors".

- Determinations and Recommendations of the Special Committee and the Board

Having undertaken a thorough review of, and carefully considered, information concerning the Corporation, Air Canada, the Arrangement, the alternatives reasonably available to the Corporation in the context of the 2019 Arrangement Agreement and the pursuit of the Corporation's strategic business plan, the terms of the 2019 Arrangement Agreement and the status of the transaction contemplated thereby, the Special Committee and the Board have unanimously determined, after receiving legal (including specialised regulatory) and financial advice, that the Arrangement is in the best interests of the Corporation and its stakeholders, including Shareholders, employees, clients, partners, creditors and suppliers, and is fair to Shareholders.

Fairness Opinions

In determining that the Arrangement is in the best interests of the Corporation and is fair to the Shareholders, the Board and the Special Committee considered, among other things, the NBF Fairness Opinion and the BMO Fairness Opinion. The Fairness Opinions dated October 9, 2020 each state that, subject to the assumptions, limitations and qualifications set forth in each respective opinion, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Shareholders.

The following summary of the Fairness Opinions is qualified in its entirety by reference to the full text of the Fairness Opinions attached to this Circular as Schedule C and Schedule D. Transat encourages you to read the Fairness Opinions in their entirety. The Fairness Opinions are not recommendations as to how any Shareholder should vote with respect to the Arrangement or any other matter.

- NBF Fairness Opinion

By letter of engagement dated December 21, 2018 (the "NBF Engagement Letter"), NBF was engaged by the Special Committee, as financial advisor and pursuant to which, among other things, NBF agreed to provide the Corporation with financial advisory services in connection with the 2019 Arrangement Agreement with Air Canada and an opinion as to the fairness, from a financial point of view of the consideration offered thereunder. In the context of the revised Arrangement Agreement, NBF continued its role as financial advisor and was asked for its opinion as to the fairness, from a financial point of view, of the Consideration to be received by the Shareholders pursuant to the Arrangement.

At the request of the Special Committee, at a meeting of the Special Committee and the Board held on October 9, 2020, NBF orally presented the substance and conclusions of the NBF Fairness Opinion, namely that as at that date, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Shareholders.

Pursuant to the terms of the NBF Engagement Letter, NBF is to be paid a fee for its services as financial advisor, including a fee for the NBF Fairness Opinion and fees that are contingent on the completion of the Arrangement. Upon execution of the Arrangement Agreement, NBF were paid an announcement fee. The Corporation has also agreed to indemnify NBF against certain liabilities and out-of-pocket expenses.

The NBF Fairness Opinion does not constitute a recommendation to any Shareholder as to how such Shareholder should act or vote on any matters relating to the Arrangement. This summary of the NBF Fairness Opinion is qualified in its entirety by the full text of such opinion.

Shareholders are urged to read the NBF Fairness Opinion in its entirety. See Schedule C to the Circular.

- BMO Fairness Opinion

The Corporation entered into an engagement letter dated May 28, 2019 (the "BMO Engagement Letter"), in the context of the 2019 Arrangement Agreement with Air Canada to provide an opinion as to the fairness, from a financial point of view of the consideration offered thereunder. In the context of the revised Arrangement Agreement, BMO was asked to provide the Corporation with an opinion as to the fairness, from a financial point of view, of the Consideration to be

received by the Shareholders pursuant to the Arrangement. On October 9, 2020, BMO delivered its oral opinion to the Special Committee and the Board, and subsequently confirmed in writing, to the effect that, as at that date, subject to the assumptions, limitations and qualifications contained therein, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Shareholders.

In considering the fairness, from a financial point of view, of the Consideration to be received by Shareholders pursuant to the Arrangement, BMO considered whether the Consideration was consistent with ranges of share prices for the Corporation determined by applying a sum-of-the parts approach for the Corporation, taking into consideration the following components:

(a) the activities and operations of the Corporation;

(b) the value of the land owned by the Corporation in Puerto Morales;

(c) the value of the Corporation's investment in Rancho Banderas; and

(d) the value of the non-controlling interest in its Trafictours Canada Inc. subsidiary.

BMO's financial analysis included the following methodologies for determining the values of the applicable components of the Corporation:

(a) trading multiples and metrics of public companies considered relevant by BMO; and

(b) a discounted cash flow analysis.

Shareholders are urged to read the BMO Fairness Opinion in its entirety. See Schedule D to the Circular.

The full text of the BMO Fairness Opinion, which sets forth, among other things, assumptions made, information reviewed, matters considered and limitations on the scope of the review undertaken in rendering the BMO Fairness Opinion, as the case may be, is attached in Schedule D to this Circular. The BMO Fairness Opinion addresses the fairness, from a financial point of view, of the Consideration to be received by the Shareholders pursuant to the Arrangement and does not address any other aspect of the Arrangement or any related transaction, including any legal, tax or regulatory aspects of the Arrangement to the Corporation or its Shareholders. The BMO Fairness Opinion is addressed to the Special Committee and to the Board for their exclusive use only in considering the Arrangement. The BMO Fairness Opinion may not be relied upon by any other Person. The BMO Fairness Opinion does not address the relative merits of the Arrangement as compared to any other strategic alternatives that may be available to the Corporation nor has BMO been requested to identify, solicit, consider or develop any potential alternatives to the Arrangement.

The BMO Fairness Opinion does not constitute a recommendation to any Shareholder as to how such Shareholder should act or vote on any matters relating to the Arrangement. This summary of the BMO Fairness Opinion is qualified in its entirety by the full text of such opinion.

BMO is to receive a fixed fee, as stipulated in its engagement agreement with the Corporation for the rendering of the BMO Fairness Opinion. In addition, BMO is entitled to recover reasonable costs and expenses incurred in fulfilling its engagement. The fee payable to BMO is not contingent, in whole or in

part, on whether the Arrangement is completed, or on the conclusions reached in the BMO Fairness Opinion, and BMO does not otherwise have a material financial interest in the completion of the Arrangement. In addition, pursuant to the engagement agreement, BMO will be indemnified by Transat under certain circumstances for liabilities arising in connection with its engagement.

BMO has not been engaged to provide any financial advisory services nor has it participated in any financings involving the Corporation, Air Canada, or any of their respective associates or affiliates within the past two years, other than: (i) providing the BMO Fairness Opinion to the Special Committee and the Board pursuant to the BMO Engagement Letter; (ii) acting as co-manager in Air Canada's $575.6 million offering of Air Canada Shares and US$747.5 million convertible debentures offering which both closed in June 2020; (iii) being a syndicate member in Air Canada's $200 million Canadian revolving credit facility which closed in December 2018; (iv) providing foreign exchange rate hedging services to Air Canada; and (v) providing cash management services to Air Canada.

In the ordinary course of its business and subject always to compliance with applicable Securities Laws, BMO may trade in the securities of the Corporation or any other entity or party that may be involved in the Arrangement, both for its own account or for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

Furthermore, in the ordinary course of its business and unrelated to the Arrangement, BMO or its affiliates may provide investment banking, corporate banking, financial advisory and other financial services to the Corporation and/or other interested parties in the Arrangement in the future, for which BMO or its affiliates may receive compensation.

Shareholders are urged to read the BMO Fairness Opinion in its entirety. See Schedule D to the Circular.

As described under "The Arrangement – Reasons for the Recommendation", the Fairness Opinions were one of the many factors taken into consideration by the Board and the Special Committee in considering the Arrangement.

Shareholders' Approval of the Arrangement

At the Meeting, pursuant to the Interim Order, the Shareholders will be asked to vote to approve the Arrangement Resolution. The approval of the Arrangement Resolution will require the affirmative vote (the "Required Shareholder Approval") of (i) at least 66 2/3% of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class, participating or represented by proxy at the Meeting and entitled to vote, and (ii) a simple majority of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class, participating or represented by proxy at the Meeting, and entitled to vote, other than Mr. Jean-Marc Eustache. See "Certain Legal Matters - Regulatory Matters".

Notwithstanding the approval by the Shareholders of the Arrangement Resolution in accordance with the foregoing, the Arrangement Resolution authorizes the Board to, without notice to or approval of the Shareholders, (i) amend, modify or supplement the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement, and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement and related transactions.

Support and Voting Agreements

All the directors and Executive Officers of the Corporation entered into Support and Voting Agreements with the Purchaser in relation to the Arrangement on October 9, 2020. Under their respective Support and Voting Agreements, each director and Executive Officer of the Corporation has agreed, *inter alia*:

(a) to vote or to cause to be voted the voting securities owned (beneficially or otherwise) by him or her, as the case may be, of the Corporation as of the record date for the Meeting (the "Subject Securities"), in favour of the approval of the Arrangement Resolution and any other matter necessary for the consummation of the transactions contemplated by the Arrangement Agreement;

(b) no later than 10 days prior to the Meeting, to deliver or to cause to be delivered to the Corporation duly executed proxies or voting instruction forms voting in favour of the approval of the Arrangement Resolution, such proxy or voting instruction forms not to be revoked or withdrawn without the prior written consent of the Purchaser;

(c) not to, directly or indirectly (including through any of its Representatives): (i) solicit, assist, initiate, encourage or otherwise facilitate (including, without limitation, by way of furnishing non-public information, entering into any form of written or oral agreement, arrangement or understanding or soliciting proxies) any inquiries, proposals or offers (whether public or otherwise) regarding an Acquisition Proposal; (ii) approve or recommend, or propose publicly to approve or recommend, any Acquisition Proposal; (iii) enter into or otherwise engage or participate in any discussions or negotiations with any person (other than the Purchaser) regarding any inquiry, proposal or offer that constitutes, or may reasonably be expected to constitute, an Acquisition Proposal; (iv) withdraw support, or propose publicly to withdraw support, from the transactions contemplated by the Arrangement Agreement; (v) enter, or propose publicly to enter, into any agreement related to any Acquisition Proposal; (vi) act jointly or in concert with others with respect to voting securities of the Corporation for the purpose of opposing or competing with the Purchaser in connection with the Arrangement Agreement; or (vii) join in the requisition of any meeting of the Securityholders for the purpose of considering any resolution related to any Acquisition Proposal;

(d) except as contemplated by the Arrangement Agreement or upon the settlement of Incentive Securities or the exercise of other rights to purchase Voting Shares, including purchases of Voting Shares under the ESPPs, not to, directly or indirectly, (i) sell, transfer, gift, assign, grant a participation interest in, option, pledge, hypothecate, grant a security or voting interest in or otherwise convey or encumber (each, a "Transfer"), or enter into any agreement, option or other arrangement (including any profit sharing arrangement, forward sale or other monetization arrangement) with respect to the Transfer of any of its Subject Securities to any Person, other than pursuant to the Arrangement Agreement; (ii) grant any proxies or power of attorney, deposit any of its Subject Securities into any voting trust or enter into any voting arrangement, whether by proxy, voting agreement or otherwise, with respect to its Subject Securities, other than pursuant to the Support and Voting Agreement; or (iii) agree to take any of the actions described in the foregoing clauses (i) and (ii);

(e) not to exercise any rights of appraisal or rights of dissent provided under any applicable Laws or otherwise in connection with the Arrangement or the transactions contemplated by the Arrangement Agreement considered at the Meeting in connection therewith; and

(f) except as required pursuant to the Support and Voting Agreements (including to give effect to (a) above), not to grant or agree to grant any proxy or other right to vote the Subject Securities or enter into any voting trust or pooling agreement or arrangement in respect of the Subject Securities or enter into or subject any of the Subject Securities to any other agreement, arrangement, understanding or commitment, formal or informal, with respect to or relating to the voting or tendering thereof or revoke any proxy granted pursuant to the Support and Voting Agreement.

The Support and Voting Agreements will automatically terminate upon the earlier of: (i) the Effective Time, or (ii) termination of the Arrangement Agreement in accordance with its terms.

Implementation of the Arrangement

The Arrangement will be implemented by way of a Court-approved plan of arrangement under section 192 of the CBCA, pursuant to the terms of the Arrangement Agreement.

Pursuant to the Arrangement, each of the following events shall occur and shall be deemed to occur sequentially as set out below without any further authorization, act or formality, in each case, unless stated otherwise, effective as at five minute intervals starting at the Effective Time:

1.1 each Option outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms of the Stock Option Plans, shall, without any further action by or on behalf of the holder thereof, be deemed to be assigned and surrendered by such holder to the Corporation in exchange for a cash payment from the Corporation equal to the amount (if any) by which the Cash Consideration exceeds the exercise price of such Option, less applicable withholding taxes, and such Option shall immediately be cancelled;

1.2 each DSU, PSU or RSU outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms of the DSU Plan, PSU Plan or RSU Plan, as applicable, shall, without any further action by or on behalf of the holder thereof, be deemed to be surrendered and transferred by such holder to the Corporation in exchange for a cash payment from the Corporation equal to the Cash Consideration in respect of each DSU, PSU or RSU, in each case, less applicable withholding taxes, and each such DSU, PSU or RSU shall immediately be cancelled (for greater certainty, where a PSU or RSU is not earned and eligible to vest as of the Effective Time, the level of attainment of the Corporation's performance objective(s) shall be deemed to be 100% for the purpose of determining the number of Voting Shares underlying such PSU or RSU);

1.3 each outstanding Voting Share held by a Dissenting Shareholder in respect of which Dissent Rights have been validly exercised shall be deemed to have been transferred without any further act or formality by the holder thereof to the Purchaser, and (i) such Dissenting Shareholder shall cease to be the holder of such Voting Share and shall cease to have any rights as a Shareholder other than the right to be paid the fair value of its Voting Shares by the Purchaser in accordance with the Plan of Arrangement, (ii) the name of such holder shall be removed from the register of holders of Voting Shares maintained by or on behalf of the Corporation, and (iii) the Purchaser

shall be recorded as the holder of the Voting Shares so transferred and shall be deemed to be the legal and beneficial owner thereof; and

1.4 each outstanding Voting Share (other than Voting Shares held by the Dissenting Shareholders who have validly exercised their Dissent Rights) shall be transferred without any further act or formality by the holder thereof to the Purchaser in exchange for the Cash Consideration or Share Consideration, less any applicable withholdings, per Voting Share in accordance with the Plan of Arrangement, and (i) the holder of such Voting Share shall cease to be the holder of such Voting Share and shall cease to have any rights as a Shareholder other than the right to be paid either the Cash Consideration or Share Consideration, less any applicable withholdings, per Voting Share in accordance with the Plan of Arrangement, (ii) the name of such holder shall be removed from the register of holders of Voting Shares maintained by or on behalf of the Corporation, and (iii) the Purchaser shall be recorded as the holder of the Voting Shares so transferred and shall be deemed to be the legal and beneficial owner thereof.

The following procedural steps must be taken in order for the Arrangement to become effective: (a) the Required Shareholder Approval must be obtained; (b) the Court must grant the Final Order approving the Arrangement; (c) all conditions precedent to the Arrangement set forth in the Arrangement Agreement, including the receipt of the Key Regulatory Approvals, must be satisfied or waived by the appropriate party; and (d) the Final Order and Articles of Arrangement in the form prescribed by the CBCA must be filed with the Director.

Certain Effects of the Arrangement

As a result of the completion of the Arrangement, the Voting Shares will cease to be listed on the TSX, and trading of the Voting Shares in the public market will no longer be possible.

Procedure for Exchange of Voting Shares Certificates by Registered Shareholders; Letter of Transmittal and Election Form

Enclosed with this Circular is the form of Letter of Transmittal and Election Form which, when properly completed and duly executed and returned together with the certificate(s) representing Voting Shares and all other required documents, will enable each Shareholder (other than Dissenting Shareholders) to obtain the Consideration that such Shareholder is entitled to receive under the Arrangement. A Letter of Transmittal and Election Form has been mailed, together with this Circular, to each Registered Shareholder on the Record Date.

Each Shareholder (other than a Dissenting Shareholder) may elect to receive in respect of each Voting Share, the Cash Consideration or the Share Consideration. Such election shall be made by depositing with the Depositary, prior to the Election Deadline, a duly completed Letter of Transmittal and Election Form indicating such Shareholder's election, together with, as applicable, any certificates representing such Shareholder's Voting Shares and any other documents as described in the Letter of Transmittal and Election Form. The completed Letters of Transmittal and Election Forms must be received by the Depositary prior to the Election Deadline, unless otherwise agreed in writing by the Purchaser and the Corporation. Transat will include notice of the Election Deadline in a press release disseminated over newswire service in Canada at the latest on the Business Day immediately before the Election Deadline. Investors who purchase Voting Shares shortly before the Closing Date are hereby advised that they may not have sufficient time in order to submit a duly completed Letter of Transmittal and Election Form by the Election Deadline in respect of such Voting Shares and should

consult with their broker, trust company or other Intermediary and seek advice from their professional advisers in advance of any such trades.

Any Shareholder who does not deposit with the Depositary a duly completed Letter of Transmittal and Election Form within the deadline set forth above, or otherwise fails to comply with the requirements of the Letter of Transmittal and Election Form, shall be deemed to have elected to receive for each Voting Share, the Cash Consideration.

Shareholders whose Voting Shares are registered in the name of an Intermediary should contact that Intermediary for instructions and assistance in delivering Voting Share certificate(s) representing those Voting Shares.

The form of Letter of Transmittal and Election Form contains complete instructions on how to exchange the certificate(s) representing your Voting Shares for the Consideration under the Arrangement. You will not receive your Consideration under the Arrangement until after the Arrangement is completed and you have returned your properly completed documents, including the Letter of Transmittal and Election Form the certificate(s) representing your Voting Shares to the Depositary. Any Letter of Transmittal and Election Form, once deposited with the Depositary, will be irrevocable and may not be withdrawn by a Shareholder, except that all Letters of Transmittal and Election Form will be automatically revoked if the Depositary is notified in writing by Transat and Air Canada that the Arrangement Agreement has been terminated. If a Letter of Transmittal and Election Form is automatically revoked, the certificate(s) for the Voting Shares received with the Letter of Transmittal and Election Form will be promptly returned to the Shareholder submitting same to the address specified in the Letter of Transmittal and Election Form.

Only Registered Shareholders are required to submit a Letter of Transmittal and Election Form. If you are a Non-Registered Shareholder holding your Voting Shares through an Intermediary, you should contact that Intermediary for instructions and assistance and carefully follow any instructions provided to you by such Intermediary.

From and after the Effective Time, all certificates that represented Voting Shares immediately prior to the Effective Time will cease to represent any rights with respect to Voting Shares and will only represent the right to receive the Consideration or, in the case of Dissenting Shareholders, the right to receive fair value for their Voting Shares.

Any use of mail to transmit certificate(s) representing Voting Shares and the Letter of Transmittal and Election Form is at each Shareholder's risk. Transat recommends that such certificate(s), and other documents be delivered by hand to the Depositary and a receipt therefore be obtained or that registered mail be used (with proper acknowledgment) and appropriate insurance be obtained.

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Voting Shares has been lost, stolen or destroyed, the Shareholder should contact the Depositary and upon the making of an affidavit of that fact by the Shareholder claiming such certificate to be lost, stolen or destroyed, the Depositary will deliver in exchange for such lost, stolen or destroyed certificate, the Cash Consideration, the Share Consideration or any combination thereof, to which the Shareholder is entitled pursuant to the Plan of Arrangement. When authorizing such delivery in exchange for any lost, stolen or destroyed certificate, the Shareholder to whom such Consideration is to be issued

and delivered shall, as a condition precedent to the delivery of such Consideration, give a bond satisfactory to the Depositary and the Purchaser, each acting reasonably, in such sum as the Purchaser and the Depositary may direct, or otherwise indemnify the Depositary, Transat and the Purchaser in a manner satisfactory to the Depositary, Transat and the Purchaser, each acting reasonably, against any claim that may be made against the Depositary, Transat or the Purchaser with respect to the certificate alleged to have been lost, stolen or destroyed. See also the instructions in the Letter of Transmittal and Election Form, and the Plan of Arrangement, for additional details.

Payment and Delivery of Consideration

Prior to the filing of the Articles of Arrangement, the Purchaser shall deposit, or arrange to be deposited, for the benefit of holders of Voting Shares (other than the Dissenting Shareholders), cash and Air Canada Shares with the Depositary in the aggregate amount equal to satisfy the aggregate Consideration in respect thereof required by the Plan of Arrangement, with the cash amount per Voting Share in respect of which Dissent Rights have been exercised being deemed to be the Cash Consideration per Voting Share for this purpose, net of applicable withholding taxes for the benefit of the holders of such Voting Shares.

Upon surrender to the Depositary for cancellation of a certificate which immediately prior to the Effective Time represented outstanding Voting Shares that were transferred pursuant to the Plan of Arrangement, together with a duly completed and executed Letter of Transmittal and Election Form and such additional documents and instruments as the Depositary may reasonably require, the Shareholders represented by such surrendered certificate shall be entitled to receive in exchange therefor, and the Depositary shall deliver to such holder, (a) a cheque (or other form of immediately available funds) representing the cash amount that such Shareholder is entitled to receive under the Arrangement, or (b) the certificate(s) (or direct registration statements) representing, or other evidence of, the Purchaser Shares that such Shareholder is entitled to receive under the Arrangement, or (c) any combination thereof, as applicable, less any withholding taxes, and any certificate so surrendered shall forthwith be cancelled.

As soon as practicable after the Effective Date, the Corporation shall pay the amounts, net of any applicable withholding taxes, to be paid to holders of Options, DSUs, PSUs and RSUs, either (i) in accordance with the normal payroll practices and procedures of the Corporation, or (ii) in the event that payment in accordance with the normal payroll practices and procedures of the Corporation is not practicable for any such holder, by cheque (delivered to the address of such holder of Options, DSUs, PSUs and RSUs, as applicable, as reflected on the register maintained by or on behalf of the Corporation in respect of the Options, DSUs, PSUs and RSUs).

Until surrendered, each certificate that immediately prior to the Effective Time represented Voting Shares shall be deemed after the Effective Time to represent only the right to receive upon such surrender cash, Purchaser Shares or a combination thereof in lieu of such certificate as contemplated in the Plan of Arrangement, less withholding taxes. Any such certificate formerly representing Voting Shares not duly surrendered on or before the sixth (6^{th}) anniversary of the Effective Date shall cease to represent a claim by or interest of any former holder of Voting Shares of any kind or nature against or in the Corporation or the Purchaser. On such date, all payments to which such former holder was entitled shall be deemed to have been surrendered to the Purchaser or the Corporation, as applicable, and, with regard to Cash Consideration, any cash payment shall be paid over by the Depositary to the Purchaser or as directed by the Purchaser.

Any payment made by the Depositary (or the Corporation, if applicable) in accordance with the Plan of Arrangement that has not been deposited or has been returned to the Depositary (or the Corporation) or that otherwise remains unclaimed, in each case, on or before the sixth (6^{th}) anniversary of the Effective Time, and any right or claim to payment hereunder that remains outstanding on the sixth (6^{th}) anniversary of the Effective Time, shall cease to represent a right or claim of any kind or nature and the right of the holder to receive the applicable consideration for the Voting Shares, the Options, the DSUs, the PSUs and the RSUs in accordance with the Plan of Arrangement shall terminate and be deemed to be surrendered and forfeited to the Purchaser or the Corporation, as applicable, for no consideration.

No holder of Voting Shares, Options, DSUs, PSUs or RSUs shall be entitled to receive any consideration with respect to such Voting Shares, Options, DSUs, PSUs or RSUs other than the consideration to which such holder is entitled to receive in accordance with the Arrangement and the Plan of Arrangement and, for greater certainty, no such holder shall be entitled to receive any interest, dividends, premium or other payments in connection therewith, other than, in respect of Voting Shares, any declared but unpaid dividends with a record date prior to the Effective Date. No dividend or other distribution declared or made after the Effective Time with respect to any securities of the Corporation with a record date on or after the Effective Date shall be delivered to the holder of any unsurrendered certificate which, immediately prior to the Effective Date, represented outstanding Voting Shares.

Any dividends payable with respect to any Purchaser Shares allotted and issued pursuant to the Arrangement for which a certificate has not been issued shall be paid or delivered to the Depositary to be held by the Depositary in trust for the registered holder thereof. All monies received by the Depositary shall be invested by it in interest-bearing trust accounts upon such terms as the Depositary may reasonably deem appropriate. The Depositary shall pay and deliver to any such registered holder, as soon as reasonably practicable after application therefor is made by the registered holder to the Depositary in such form as the Depositary may reasonably require, such distributions and any interest thereon to which such holder is entitled, net of any applicable withholding pursuant to the Plan of Arrangement.

If you are a Registered Shareholder, you will receive the Cash Consideration (if so elected or deemed elected) per Voting Share in Canadian dollars unless you exercise the right to elect, in your Letter of Transmittal and Election Form, to receive the Cash Consideration (if so elected or deemed elected) per Voting Share in respect of your Voting Shares in U.S. dollars.

No Fractional Purchaser Shares and Rounding of Cash Consideration

In no event shall a Shareholder be entitled to a fractional Purchaser Share. Where the aggregate number of Purchaser Shares to be issued to a Shareholder pursuant to the Arrangement would result in a fraction of a Purchaser Share being issuable, (a) the number of Purchaser Shares to be received by such Shareholder shall be rounded down to the nearest whole Purchaser Share, and (b) such Shareholder shall receive a cash payment (rounded down to the nearest cent) equal to the product of (i) $17.47 and (ii) the fractional share amount.

If the aggregate cash amount which a Shareholder is entitled to receive pursuant to the Arrangement would otherwise include a fraction of $0.01, then the aggregate cash amount to which such Shareholder shall be entitled to receive shall be rounded up to the nearest whole $0.01.

Adjustments to Share Consideration under Certain Circumstances

The ratio of Purchaser Shares issuable for each Voting Share as part of the Share Consideration shall be adjusted proportionally and equitably to eliminate the effects of a Purchaser Share Adjustment Event on the Share Consideration for a Purchaser Share Adjustment Event that occurs after the date of the Arrangement Agreement and prior to the Effective Time.

Withholding Rights

Each of the Corporation, the Purchaser and the Depositary shall be entitled to deduct and withhold from any amount payable to any person under the Plan of Arrangement such amounts as the Corporation, the Purchaser or the Depositary determine, acting reasonably, are required or permitted to be deducted and withheld with respect to such payment under the Tax Act, the United States *Internal Revenue Code of 1986* or any provision of any other Law and shall remit such deduction and withholding with the appropriate Governmental Entity. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the person in respect of which such withholding was made provided that such amounts are actually remitted to the appropriate Governmental Entity.

Expenses of the Arrangement

Transat estimates that in connection with the Arrangement and the 2019 Arrangement, beginning from the time at which discussions began with Air Canada for the same in the fall of 2018, expenses in the aggregate amount of approximately $19 million will be incurred by Transat, including, among others, legal (including specialised regulatory), financial advisory, accounting, proxy solicitation, filing fees and costs, the cost of preparing, printing and mailing the 2019 Circular and this Circular, organizing and holding the special meeting of Shareholders held on August 23, 2019 and the upcoming Meeting (including additional fees relating to the virtual format of the Meeting), and fees in respect of the Fairness Opinions and the equivalent fairness opinions obtained from BMO and NBF for the purposes of the 2019 Arrangement. Except as otherwise expressly provided in the Arrangement Agreement (including the Termination Fee and the Reverse Termination Fee), the parties to the Arrangement Agreement agreed that all out-of-pocket expenses of the parties relating to the Arrangement Agreement or the transactions contemplated thereby shall be paid by the party incurring such expenses.

Sources of Funds for the Arrangement

The total amount of funds required to fund the Cash Consideration required to complete the Arrangement is expected to be funded by Air Canada through cash on hand. Air Canada may also undertake alternative permanent or temporary financing to finance the Cash Consideration payable under the Arrangement.

Interests of Certain Persons in the Arrangement

In considering the recommendations of the Special Committee and the Board with respect to the Arrangement, Shareholders should be aware that certain of the directors and officers of Transat have interests in connection with the Arrangement as described below that may be in addition to, or separate from, those of Shareholders generally regarding the Arrangement. The Special Committee and the Board are aware of these interests and considered them along with other matters described herein.

- Shares and the Intentions of Directors and Executive Officers

As of the Record Date, the directors and Executive Officers of the Corporation, beneficially owned, directly or indirectly, or exercised control or direction over, in the aggregate 1,338,668 Voting Shares, which represented approximately 3.55% of the issued and outstanding Voting Shares on a non-diluted basis as of that date. All the directors and Executive Officers of the Corporation have agreed to, pursuant to the terms of their respective Support and Voting Agreements, and intend to, vote all of their Voting Shares in favour of the Arrangement.

All of the Voting Shares held by the directors and Executive Officers of the Corporation will be treated in the same fashion under the Arrangement as Voting Shares held by all other Shareholders.

- Change of Control Benefits

The employment agreement of each of the Executive Officers of the Corporation provides for a severance payment equal to 12 to 36 months of base salary plus any short-term incentive bonus (at target amounts or at average amount paid over the past two years) in the event of termination of employment other than for cause, whether or not such termination occurs following a change of control of the Corporation, although in some cases, the amount may vary depending on whether or not the termination occurs after a change of control of the Corporation.

The applicable plans and the employment agreements of some of the Executive Officers of the Corporation also provide for the immediate vesting of unvested Voting Shares, Options, PSUs and RSUs, and bonuses granted in replacement thereof in 2019 upon change of control, with the value of the payout of PSUs and RSUs being at 100%.

Moreover, obligations stemming from defined retirement benefits payable to Executive Officers under Transat's defined retirement plan are guaranteed by an irrevocable letter of credit held by a third party trustee. This letter of credit currently provides for immediate payment of the accrued value of the benefits under the plan, without acceleration, upon the occurrence of certain events, including a change of control such as the one that will result from the Arrangement. In connection with the Arrangement Agreement, beneficiaries of the letter of credit will be offered the opportunity to consent to changes to the retirement arrangements that would allow them to choose to either receive their retirement benefits in the form of a lump sum payment at the Effective Time or receive instead a monthly pension upon retirement.

- Indemnification and Insurance

The Arrangement Agreement provides that, prior to the Effective Date, the Corporation shall purchase customary "tail" policies of directors' and officers' liability insurance, from a reputable third party insurer, providing protection no less favourable in the aggregate to the protection provided by the policies maintained by the Corporation and its wholly-owned Subsidiaries which are in effect immediately prior to the Effective Date and providing protection in respect of claims arising from facts or events which occurred on or prior to the Effective Date and that the Purchaser shall, or shall cause the Corporation and its wholly-owned Subsidiaries to maintain such tail policies in effect without any reduction in scope or coverage for six (6) years after the Effective Date, provided that the Purchaser shall not be required to pay any amounts in respect of such coverage prior to the Effective Time and provided further that the cost of such policies shall not exceed 300% of the Corporation's and its wholly-owned Subsidiaries current annual aggregate premium for policies currently maintained by the Corporation or its wholly-owned

Subsidiaries. The Arrangement Agreement also includes a covenant of the Purchaser to cause the Corporation to honour all rights to indemnification or exculpation that were existing as of the date of the Arrangement Agreement in favour of present and former employees, officers and directors of the Corporation and its Subsidiaries to the extent they have been provided under applicable Law, the constating documents of the Corporation and its Subsidiaries or under indemnification agreements entered into in the Ordinary Course, and acknowledged that such rights shall survive the completion of the Plan of Arrangement and shall continue in full force and effect in accordance with their terms for a period of not less than six (6) years after the Effective Date.

- Employee Retention Plans

Completion of the Arrangement is subject to uncertainty and, accordingly, officers and employees of the Corporation may experience uncertainty about their future roles with the Corporation. This may adversely affect the Corporation's ability to attract or retain officers and employees prior to completion of the Arrangement.

In order to mitigate this risk, the Human Resources and Compensation Committee recommended, and the Corporation approved, the adoption of the Employee Retention Policy for the benefit of Executive Officers and other key employees of the Corporation.

The purposes of the Employee Retention Policy is to retain, encourage and reward Executive Officers and other key employees to (i) protect Transat's brand by pursuing business as usual until the completion of the Arrangement, notwithstanding the uncertainty, (ii) actively contribute to the completion of the Arrangement under the best conditions and in a timely manner, and (iii) replace long-term incentive grants which would otherwise have been made yearly in January to Executive Officers and Senior Management of the Corporation in the normal course of business.

The Employee Retention Policy is therefore based on the following measures and principles.

- The 2019 long term incentives (RSUs, PSUs and Options), which could not be granted because of the potential transaction in connection with the 2019 Arrangement Agreement were replaced with a replacement bonus for a total current value of $4,800,000 (subject to currency variations in some limited cases), which is not subject to any performance criteria, and is payable three years from the grant date (the "2019 Replacement Bonus").

- The 2020 long term incentives (RSUs, PSUs and Options), which could not be granted because of the potential transaction in connection with the 2019 Arrangement Agreement were replaced with a replacement bonus for a total current value of $5,500,000 (subject to currency variations in some limited cases), which is not subject to any performance criteria, and is payable three years from the grant date (the "2020 Replacement Bonus").

- A special cash bonus was awarded to employees whose RSUs were cancelled in January 2020, which is of a current total amount of $4,200,000, in order to maintain the retention effect of those instruments. The special bonus is payable to such employees in two instalments: $3,500,000 is payable at Closing and $700,000 is payable six months following Closing.

- Bonuses in cash, for a total amount of $2,700,000, were granted in the first half of 2019 to employees participating in the transaction and/or deemed key to the continuation of operations,

of which grants to Executive Officers represented $845,553. In the case of employees who were granted this bonus due to being deemed key to the continuation of operations, the sum of each such employee's existing long-term incentives and 2019 Replacement Bonus, as applicable, was factored into the determination of the amount of cash bonus he or she would receive. Out of the total cash bonus grant amount, $540,000 was paid out in November 2019, including $270,000 to Executive Officers.

- Additional bonuses in cash, for a total amount of $1,500,000, were granted in January 2020 to other employees deemed key to the continuation of operations who had not been included in the cash bonus grant described immediately above. None of this total amount was granted to Executive Officers.

- A severance policy, valid until 18 months after Closing, was approved for all employees on February 11, 2019, in line with previous practices of the Corporation, with improved amounts for certain levels and short-tenured employees, so as to facilitate their retention. The amount was also increased for certain key employees, depending on outstanding long-term incentives. The Corporation suspended this severance policy as of June 28, 2020 with respect to any layoffs due to the impact of the COVID-19 pandemic on Transat. Severance amounts guaranteed contractually to key employees will however remain in force.

Unless otherwise specified, and with the exception of the 2020 Replacement Bonus, the entitlements under the Employee Retention Policy will be paid-out to eligible officers and key employees who are at the Corporation's employ on the Effective Date, with some partial payments having been made on November 1, 2019.

Should the transaction contemplated in the Arrangement Agreement not be completed, bonuses in cash granted to employees participating in the transaction and/or deemed key to the continuation of operations would be payable by the Corporation upon the cancellation date. The 2019 Replacement Bonus and the 2020 Replacement Bonus would only be payable on the third (3rd) anniversary of the grant date to employees who will have continued to work for the Corporation up to that date.

- Holdings in Voting Shares, Options, DSUs, and PSUs

The Voting Shares, Options, DSUs, and PSUs held by the directors and Executive Officers of Transat are listed under "Information Concerning Transat - Ownership of Securities". The Voting Shares, Options, DSUs, and PSUs held by the directors and Executive Officers of Transat will be treated in the same fashion under the Arrangement as Voting Shares, Options, DSUs, and PSUs held by any other holder. This includes, (i) in respect of Options, the right to receive a cash payment from the Corporation for each Option, whether vested or unvested, in an amount (if any) equal to $5.00, less the applicable exercise price and less applicable withholding taxes in respect of such Option , and (ii) in respect of DSUs and PSUs whether vested or unvested, the right to receive a cash payment from the Corporation for each unit equal to the amount of $5.00 less applicable withholding taxes (and where a PSU or RSU is not earned and eligible to vest as of the Effective Time, the level of attainment of the performance objective(s) shall be deemed to be 100% for the purpose of determining the number of Voting Shares underlying such PSU or RSU). See "Information concerning Transat - Ownership of Securities - Situation following Completion of the Arrangement".

Intentions of Directors and Executive Officers

All the directors and Executive Officers of the Corporation, who collectively own or exercise control or direction over approximately 3.55% of the Voting Shares, have entered into Support and Voting Agreements pursuant to which they have agreed, subject to the terms thereof, to vote in favour of the Arrangement Resolution. See "The Arrangement - Support and Voting Agreements".

Arrangements between Transat and Security Holders

Except as otherwise described in this Circular, Transat has not made or proposed to be made any agreement, commitment or understanding with a securityholder of Transat relating to the Arrangement.

INFORMATION CONCERNING AIR CANADA

The following information about Air Canada should be read in conjunction with the documents incorporated by reference under this heading and the information concerning Air Canada appearing elsewhere in this Circular.

General

Air Canada was formed on April 10, 1937, and is currently governed by the CBCA. Its head office is located at Air Canada Centre, 7373 Côte Vertu Boulevard West, Saint-Laurent, Québec, H4S 1Z3. Its shares are listed on the TSX under the symbol "AC".

Air Canada is the largest provider of scheduled passenger services in the Canadian market, the Canada-U.S. transborder market and in the international market to and from Canada. Its mission is connecting Canada and the world.

In 2019, Air Canada, together with Jazz Aviation LP, Sky Regional Airlines Inc. and other regional airlines operating flights on behalf of Air Canada ("Contracted Carriers") under capacity purchase agreements ("CPAs"), operated, on average, 1,531 daily scheduled flights to 217 direct destinations on six continents. Those destinations were comprised of 62 in Canada, 56 in the United States and a total of 99 cities in Europe, Africa, the Middle East, Asia, Oceania, the Caribbean, Mexico and South America. In 2019, Air Canada carried a record of 51.5 million passengers.

In 2019, Air Canada enhanced its domestic and transborder network through CPAs with Contracted Carriers. In 2019, these Contracted Carriers, operating under the banner of Air Canada Express, formed an integral part of the airline's international network strategy, providing valuable traffic feed to Air Canada and Air Canada Rouge routes. As at September 30, 2020, the Air Canada Express fleet was comprised of 44 Bombardier regional jets, 65 Bombardier Dash-8 turboprop aircraft and 25 Embraer 175 aircraft, for a total of 134 aircraft. Air Canada is a founding member of the Star Alliance® network. In 2019, through the 26- member airline network, Air Canada offered its customers access to more than 1,300 destinations in 195 countries, as well as reciprocal participation in frequent flyer programs and the use of airport lounges and other airport facilities.

In 2019, Air Canada pursued a comprehensive strategy to improve profitability and competitiveness in leisure markets. This strategy leveraged the strengths of Air Canada, Air Canada Rouge LP, doing business as Air Canada Rouge® ("Air Canada Rouge"), and Touram Limited Partnership, doing business as Air Canada Vacations® ("Air Canada Vacations"). In 2019, through Air Canada Rouge, Air Canada pursued

opportunities in leisure markets made viable by Air Canada Rouge's more competitive cost structure. Air Canada Vacations is a leading Canadian tour operator, developing, marketing and distributing vacation travel packages. In 2019, it operated in the outbound leisure travel market (Caribbean, Mexico, U.S., Europe, Central and South America, South Pacific, Australia and Asia) and the inbound leisure travel market to destinations within Canada. It also offered cruise packages in North America, Europe and the Caribbean. Air Canada Cargo, a division of Air Canada, is Canada's largest provider of air cargo services, as measured by cargo capacity. In 2019, Air Canada Cargo provided direct cargo services to over 150 Canadian, U.S. transborder and international destinations and has sales representation in over 50 countries. Air cargo services are provided across the Air Canada network.

As at September 30, 2020, Air Canada mainline had an operating fleet of 179 aircraft, comprised of 102 Boeing and Airbus narrow body aircraft (including 24 Boeing 737 MAX aircraft which have been grounded since March 2019), and 77 Boeing and Airbus wide-body aircraft. As at September 30, 2020, Air Canada Rouge operated a fleet of 38 aircraft, comprised of 20 Airbus A319 aircraft, 14 Airbus A321 aircraft, and four Airbus A320 aircraft.

Air Canada's subsidiary Aeroplan Inc. operates the Aeroplan program, a loyalty rewards and recognition program ("Aeroplan Program"). The Aeroplan Program allows individuals to enroll as members and to open an Aeroplan account, to accumulate Aeroplan points ("Aeroplan Points") through the purchase of products and services from participating partners and suppliers and to redeem Aeroplan Points for a variety of travel, merchandise, gift card, and other rewards provided directly by participating partners or made available through Aeroplan's intermediary suppliers.

Documents Incorporated by Reference

Information has been incorporated by reference in this Circular from documents filed with securities commissions or similar authorities in Canada. Copies of these documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Air Canada at 7373 Côte Vertu Boulevard West, Saint-Laurent, Québec, Canada H4S 1Z3, telephone: 514-422-6644 and are also available electronically on SEDAR at www.sedar.com.

The following documents of Air Canada, which have been filed with the securities commissions or other similar regulatory authorities in each of the provinces and territories of Canada, are specifically incorporated by reference into and form an integral part of this Circular:

(a) the annual information form of Air Canada dated March 30, 2020 for the fiscal year ended December 31, 2019 (the "Air Canada Annual Information Form");

(b) the audited consolidated financial statements of Air Canada as at and for the years ended December 31, 2019, 2018 and as at January 1, 2018, together with the notes thereto and the independent auditor's report thereon;

(c) the management's discussion and analysis of results of operations and financial condition of Air Canada dated February 18, 2020 for the year ended December 31, 2019 (the "Air Canada Annual MD&A");

(d) the interim unaudited condensed consolidated financial statements of Air Canada as at September 30, 2020 and for the three- and nine-month periods ended September 30, 2020, together with the notes thereto;

(e) the management's discussion and analysis of results of operations and financial condition of Air Canada dated November 9, 2020 for the three- and nine-month periods ended September 30, 2020 (the "Air Canada Interim MD&A");

(f) the management proxy circular of Air Canada dated May 4, 2020 in connection with the annual general meeting of shareholders of Air Canada held on June 25, 2020.

Any document of the type required by *National Instrument 44-101 – Short Form Prospectus Distributions* to be incorporated by reference into a short form prospectus, including any annual information forms, material change reports (except confidential material change reports), business acquisition reports, interim unaudited condensed consolidated financial statements, annual consolidated financial statements and the auditor's report thereon, management's discussion and analysis and proxy circulars filed by Air Canada with applicable securities commissions or similar authorities in Canada under Air Canada's issuer profile on SEDAR at www.sedar.com after the date of this Circular and before the date of the Meeting will be deemed to be incorporated by reference into this Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained herein, or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed to be an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Circular.

Consolidated Capitalization

There have been no material changes in the consolidated capitalization of Air Canada since September 30, 2020, except for sale and leaseback transactions, concluded in early October 2020, for nine Boeing 737 MAX aircraft for total proceeds of US$365 million ($485 million). The nine aircraft were delivered to Air Canada in the past three years.

Air Canada expects to issue on in the aggregate up to 10,803,217 shares in connection with the Arrangement, assuming that all Transat Shareholders elect to receive the Share Consideration for their Voting Shares (and that no holders of options of Transat exercise their options before the Election Deadline and elect to receive Air Canada shares for the Transat shares underlying their options), representing post-transaction pro forma ownership of approximately 3.51% of Air Canada (based on the aggregate number of Air Canada Shares issued and outstanding on November 12, 2020).

Dividend Record

Air Canada has not declared or paid dividends on Air Canada Shares for any of the financial years ended December 31, 2019, 2018 and 2017. Certain financing agreements of Air Canada impose conditions with respect to Air Canada's ability to declare and pay dividends. In addition, certain other agreements Air Canada has or may enter into from time to time may include conditions with respect to the Corporation's ability to declare and pay dividends. Any future determination to declare and pay cash dividends is subject to legal restrictions applicable at the time to Air Canada and to the discretion of Air Canada's board of directors. It will also depend on Air Canada's financial condition, results of operations, capital requirements, restrictive covenants in contracts and such other factors as Air Canada's board of directors deems relevant.

Description of Air Canada Shares

The authorized share capital of Air Canada is comprised of an unlimited number of Air Canada Variable Voting Shares and Air Canada Voting Shares. As at September 30, 2020, 104,108,797 Air Canada Variable Voting Shares and 192,598,512 Air Canada Voting Shares were issued and outstanding, for an aggregate amount of 296,707,309 shares of Air Canada.

The following summary describes the rights, privileges, restrictions and conditions that are attached to the Air Canada Variable Voting Shares and the Air Canada Voting Shares. This summary does not purport to be complete and is subject to, and is qualified in its entirety by, the terms of Air Canada's restated articles of incorporation.

Air Canada Class A Variable Voting Shares

The CT Act requires that national holders of domestic, scheduled international and non-scheduled international licences, such as Air Canada, be "Canadian". In 2018, the Government of Canada passed the *Transportation Modernization Act* that amended, among other things, the definition of "Canadian" under section 55(1) of the CT Act to increase foreign ownership limits in Canadian air carriers from 25% to 49%, provided that no single non-Canadian holds more than 25% of the voting interests and provided that non-Canadian air service providers do not, in the aggregate, hold more than 25% of the voting interests in a Canadian air carrier.

More specifically, the definition of "Canadian" under section 55(1) of the CT Act, as amended by the *Transportation Modernization Act*, is as follows:

> "(a) a Canadian citizen or a permanent resident as defined in subsection 2(1) of the Immigration and Refugee Protection Act,
>
> (b) a government in Canada or an agent or mandatary of such a government, or
>
> (c) a corporation or entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians and of which at least 51% of the voting interests are owned and controlled by Canadians and where
>
> (i) no more than 25% of the voting interests are owned directly or indirectly by any single non-Canadian, either individually or in affiliation with another person, and

(ii) no more than 25% of the voting interests are owned directly or indirectly by one or more non-Canadians authorized to provide an air service in any jurisdiction, either individually or in affiliation with another person."

In 2019, Air Canada received court and shareholder approval for a plan of arrangement under section 192 of the CBCA to effect amendments to Air Canada's restated articles of incorporation to align its restrictions as to the level of non-Canadian ownership and voting control with those prescribed in the CT Act. Air Canada's amended articles became effective on May 8, 2019.

The Air Canada Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians. An issued and outstanding Air Canada Variable Voting Share shall be converted into one Air Canada Voting Share, automatically and without any further act of Air Canada or the holder, if such Air Canada Variable Voting Share becomes held, beneficially owned and controlled, directly or indirectly, otherwise than by way of security only, by a Canadian.

Voting

Each Air Canada Variable Voting Share confers the right to one vote unless:

(i) the number of Air Canada Variable Voting Shares held by any single non-Canadian, either individually or in affiliation with any other person, as a percentage of the total number of issued and outstanding voting shares of Air Canada, or the total number of votes that would be cast by or on behalf of any single non-Canadian holder of Air Canada Variable Voting Shares, either individually or in affiliation with any other person, at any meeting in relation to the total number of votes cast at such meeting, exceeds 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada);

(ii) the number of Air Canada Variable Voting Shares held collectively by one or more non-Canadians authorized to provide air service in any jurisdiction ("Non-Canadian Air Carrier"), either individually or in affiliation with any other person, as a percentage of the total number of issued and outstanding voting shares of Air Canada, or the total number of votes that would be cast by or on behalf of one or more Non-Canadian Air Carrier holders of Air Canada Variable Voting Shares, either individually or in affiliation with any other person, at any meeting in relation to the total number of votes cast at such meeting and after the application of the voting restriction in (i) above if required, exceeds 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada); or

(iii) the number of Air Canada Variable Voting Shares, as a percentage of the total number of issued and outstanding voting shares of Air Canada, or the total number of votes that would be cast by or on behalf of holders of Air Canada Variable Voting Shares at any meeting in relation to the total number of votes cast at such meeting and after the application of the voting restrictions in (i) and (ii) above if required, exceeds 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada).

If either of the thresholds in (i) or (ii) above would otherwise be exceeded at any time, the vote attached to each of their Air Canada Variable Voting Shares will decrease proportionately and automatically without further act or formality such that the Air Canada Variable Voting Shares held, as applicable, by any single non-Canadian or by all Non-Canadian Air Carriers, either individually or in affiliation with any

other person, do not carry more than 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada) of the aggregate votes attached to all issued and outstanding voting shares of Air Canada and the total number of votes cast, as applicable, by or on behalf of any single non-Canadian or by all Non-Canadian Air Carriers, either individually or in affiliation with any other person, at any meeting do not exceed 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada) of the total number of votes cast at such meeting. For greater certainty, a single Non-Canadian Air Carrier would also constitute a single non-Canadian holder for purposes of the voting restriction in (i) above.

If the threshold in (iii) above would otherwise be exceeded at any time, the vote attached to each Air Canada Variable Voting Share will decrease proportionately and automatically without further act or formality such that the Air Canada Variable Voting Shares do not carry more than 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada) of the aggregate votes attached to all issued and outstanding voting shares of Air Canada and the total number of votes cast by or on behalf of holders of Air Canada Variable Voting Shares at any meeting do not exceed 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada) of the total number of votes cast at such meeting.

Dividends

Subject to the rights, privileges, restrictions and conditions attached to the shares of Air Canada of any other class ranking senior to the Air Canada Variable Voting Shares, the holders of the Air Canada Variable Voting Shares are, at the discretion of the directors, entitled to receive, out of monies, assets or property of Air Canada properly applicable to the payment of dividends, any dividends declared and payable by Air Canada on the Air Canada Variable Voting Shares and the Air Canada Variable Voting Shares rank equally as to dividends on a share-for-share basis with the Air Canada Voting Shares participating on an as converted basis. All dividends declared in any fiscal year of Air Canada are to be declared in equal or equivalent amounts per share on all Air Canada Variable Voting Shares, and Air Canada Voting Shares participating on an as-converted basis at the time outstanding, without preference or distinction.

Subdivision or Consolidation

No subdivision or consolidation of the Air Canada Variable Voting Shares or the Air Canada Voting Shares may occur unless, simultaneously, the shares of the other class are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.

Rights upon Liquidation, Dissolution or Winding Up

Subject to the rights, privileges, restrictions and conditions attaching to the shares of Air Canada ranking prior to the Air Canada Variable Voting Shares, upon liquidation, dissolution or winding up of Air Canada or other distribution of Air Canada's assets among its shareholders for the purpose of winding up its affairs, the holders of the Air Canada Variable Voting Shares and Air Canada Voting Shares are entitled to receive the remaining property of Air Canada and are entitled to share equally, share for share, in all distributions of such assets.

Conversion

Each issued and outstanding Air Canada Variable Voting Share is converted into one Air Canada Variable Voting Share, automatically and without any further act of Air Canada or of the holder, if (i) such Air Canada Variable Voting Share becomes held, beneficially owned and controlled, directly or indirectly, otherwise than by way of security only, by a Canadian, or (ii) the provisions in the CT Act relating to foreign ownership restrictions are repealed and not replaces with other similar provisions.

In the event that an offer is made to purchase Air Canada Voting Shares and the offer is one which must, pursuant to applicable securities legislation or the rules of a stock exchange on which the Air Canada Voting Shares are then listed, be made to all or substantially all the holders of the Air Canada Voting Shares in a province of Canada to which the requirement applies, each Air Canada Variable Voting Share becomes convertible at the option of the holder into one Air Canada Voting Share that is subject to the offer at any time while the offer is in effect and 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 Air Canada Variable Voting Shares for the purpose of depositing the resulting Air Canada Voting Shares in response to the offer and the transfer agent is required to deposit the resulting Air Canada Voting Shares on behalf of the shareholder.

If the Air Canada Voting Shares resulting from the conversion and deposited pursuant to the offer are withdrawn by the shareholder or are not taken up by the offeror or the offer is abandoned or withdrawn, the Air Canada Voting Shares resulting from the conversion are to be reconverted automatically and without further act from Air Canada or the holder, into Air Canada Variable Voting Shares.

There is no right to convert the Air Canada Variable Voting Shares into Air Canada Voting Shares or to convert Air Canada Voting Shares into Air Canada Variable Voting Shares, except in accordance with the conversion procedure set forth in Air Canada's restated articles of incorporation.

Air Canada Class B Voting Shares

Voting

The holders of the Air Canada Voting Shares are entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of Air Canada (except where the holders of a specified class are entitled to vote separately as a class as provided in the CBCA), and each Air Canada Voting Share confers the right to one vote in person or by proxy at all meetings of shareholders of Air Canada.

Dividends

Subject to the rights, privileges, restrictions and conditions attaching to the shares of Air Canada of any other class ranking senior to the Air Canada Voting Shares, the holders of the Air Canada Voting Shares are, at the discretion of the directors, entitled to receive, out of monies, assets or property of Air Canada properly applicable to the payment of dividends, any dividends declared and payable by Air Canada on the Air Canada Voting Shares. The Air Canada Voting Shares rank equally as to dividends on a share-for share basis with the Air Canada Variable Voting Shares participating on an as-converted basis and all dividends declared in any fiscal year of Air Canada are to be declared in equal or equivalent amounts per

share on all Air Canada Voting Shares and Air Canada Variable Voting Shares on an as-converted basis at the time outstanding, without preference or distinction.

Subdivision or Consolidation

No subdivision or consolidation of the Air Canada Voting Shares or the Air Canada Variable Voting Shares may occur unless, simultaneously, the shares of the other class are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.

Rights upon Liquidation, Dissolution or Winding Up

Subject to the rights, privileges, restrictions and conditions attaching to the shares of Air Canada ranking senior to the Air Canada Voting Shares, upon liquidation, dissolution or winding up of Air Canada or other distribution of Air Canada's assets among its shareholders for the purpose of winding up its affairs, the holders of the Air Canada Voting Shares and Air Canada Variable Voting Shares are to be entitled to receive the remaining property of Air Canada and are to be entitled to share equally, share for share, in all distributions of such assets.

Conversion

An issued and outstanding Air Canada Voting Share is converted into one Air Canada Variable Voting Share, automatically and without any further act of Air Canada or the holder, if such Air Canada Voting Share becomes held, beneficially owned or controlled, directly or indirectly, otherwise than by way of security only, by a person who is a non-Canadian.

In the event that an offer is made to purchase Air Canada Variable Voting Shares and the offer is one which must, pursuant to applicable securities legislation or the rules of a stock exchange on which the Air Canada Variable Voting Shares are then listed, be made to all or substantially all the holders of the Air Canada Variable Voting Shares, each Air Canada Voting Share becomes convertible at the option of the holder into one Air Canada Variable Voting Share that is subject to the offer at any time while the offer is in effect and 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 Air Canada Voting Shares for the purpose of depositing the resulting Air Canada Variable Voting Shares in response to the offer and the transfer agent is required to deposit the resulting Air Canada Variable Voting Shares on behalf of the shareholder.

If the Air Canada Variable Voting Shares resulting from the conversion and deposited pursuant to the offer are withdrawn by the shareholder or are not taken up by the offeror or the offer is abandoned or withdrawn, the Air Canada Variable Voting Shares resulting from the conversion are reconverted automatically and without further act from Air Canada or the holder, into Air Canada Voting Shares.

There is no right to convert the Air Canada Variable Voting Shares into Air Canada Voting Shares or to convert Air Canada Voting Shares into Air Canada Variable Voting Shares, except in accordance with the conversion procedure set forth in Air Canada’s restated articles of incorporation.

Market Price and Transaction Volume

The Air Canada Variable Voting Shares and the Air Canada Voting Shares are listed and posted for trading on the TSX under a single trading symbol "AC".

The following table sets forth the high and low price range and average daily and total monthly trading volume, on a combined basis, of the Air Canada Variable Voting Shares and the Air Canada Voting Shares as reported by the TSX for the 12-month period prior to the date of this Circular.

	Price Range ($)			
Month	High ($)	Low ($)	Average Daily Trading Volume	Total Monthly Volume
November 2019	51.07	46.64	933,292	19,599,139
December 2019	50.83	48.28	788,932	15,778,631
January 2020	52.71	43.40	1,559,081	34,299,783
February 2020	48.06	31.67	2,277,932	43,280,707
March 2020	36.65	9.26	6,678,514	146,927,308
April 2020	22.78	13.53	6,236,580	130,968,176
May 2020	19.56	12.80	6,949,099	138,981,974
June 2020	23.55	15.61	9,160,999	201,541,979
July 2020	18.45	15.02	4,206,375	92,540,251
August 2020	18.20	15.02	4,947,032	98,940,632
September 2020	19.48	15.21	4,973,803	104,449,868
October 2020	17.31	14.50	4,141,017	86,961,347
November 1 - 12, 2020	20.50	14.48	7,321,054	65,889,487

Prior Purchases and Sales

The following table summarizes the issuance by Air Canada of Air Canada Variable Voting Shares and Air Canada Voting Shares or securities convertible into such shares during the 12-month period preceding the date of this Circular.

Date	Type of Securities	Number of Securities	Issuance/Exercise Price per Security ($)
November 1, 2019 to November 12, 2020	Exercise of options to purchase Air Canada Variable Voting Shares or Air Canada Voting Shares[1]	463,957	2.49 - 27.75
March 11, 2020 to November 12, 2020	Grant of options to purchase Air Canada Variable Voting Shares or Air Canada Voting Shares[2]	1,426,322	15.35 - 32.42
June 2, 2020	Treasury issuance of Air Canada Variable Voting Shares and Air Canada Voting Shares[3]	35,420,000[4]	16.265
June 2, 2020	4.00% convertible senior unsecured notes due 2025[5]	748,000	US 1,000 per note[6]

(1) Exercise of options to purchase Air Canada Variable Voting Shares or Air Canada Voting Shares under Air Canada's long term incentive plan (the "AC LTIP").
(2) Options to purchase Air Canada Variable Voting Shares or Air Canada Voting Shares under the AC LTIP.
(3) Issued in connection with Air Canada's underwritten marketed public offering of Air Canada shares which closed on June 2, 2020.
(4) In the aggregate.
(5) Issued in connection with Air Canada's marketed private placement of convertible senior unsecured notes which closed concurrently with Air Canada's underwritten marketed public offering of Air Canada shares on June 2, 2020.
(6) The conversion of the 4.00% convertible senior unsecured notes due 2025 of Air Canada (the "2025 Notes") is governed by that certain indenture dated as of June 2, 2020 entered into between Air Canada and American Stock Transfer & Trust Company, LLC. The initial conversion rate of the 2025 Notes is 65.1337 Air Canada shares per US $1,000 principal amount of 2025 Notes, or an initial conversion price of US $15.35 per Air Canada share. The 2025 Notes are convertible at Air Canada's election into cash and or Air Canada Variable Voting Shares and/or Air Canada Voting Shares, or a combination thereof.

Listing Application

Air Canada's Class A Variable Voting Shares and Class B Voting Shares are listed on the TSX and trade under the symbol "AC". Air Canada has applied to list the Air Canada Shares to be distributed pursuant to the Arrangement Agreement on the TSX. The TSX has conditionally approved the listing of Air Canada Shares. Listing of the Air Canada Shares will be subject to Air Canada fulfilling all of the customary listing requirements of the TSX.

Financing

The total amount of funds required to fund the Cash Consideration required to complete the Arrangement is expected to be funded by Air Canada through cash on hand. Air Canada may also undertake alternative permanent or temporary financing to finance the Cash Consideration payable under the Arrangement.

Legal Proceedings

In the course of conducting its business, Air Canada is subject to various claims and litigation (including class action claims), including with respect to its contractual arrangements and current or new laws and regulations. Air Canada's assessment of the likely outcome of these matters is based on its judgment

and a number of factors, including experience with similar matters, past history, precedents, relevant financial, scientific and other evidence, and facts specific to the matter.

Transfer Agent and Registrar

The transfer agent and registrar for the Air Canada Variable Voting Shares and the Air Canada Voting Shares is AST Trust Company (Canada), at its principal offices in Montréal, Toronto, Vancouver and Calgary.

Auditors

The current auditor of Air Canada is PricewaterhouseCoopers LLP, Chartered Professional Accountants, located at 1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Québec H3B 4Y1, Canada. PricewaterhouseCoopers LLP has confirmed that it is independent of Air Canada within the meaning of the *Code of Ethics of Chartered Professional Accountants* (Québec).

Agent for Service of Process in Canada

Certain of the directors of Air Canada reside outside of Canada. Transat Shareholders are advised that it may not be possible for them to enforce judgments obtained in Canada against any person that resides outside of Canada, even if such person has appointed an agent for service of process.

INFORMATION CONCERNING TRANSAT

General

Founded in 1987, Transat is a leading integrated international tourism company specializing in holiday travel. It arranges 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 also a retail distributor, both online and through travel agencies, some of which it owns, as well as a destination services provider in Mexico, the Dominican Republic and Jamaica. Air Transat received, for two consecutive years, the World's Best Leisure Airline Award at the Skytrax World Airline Awards, an independent U.K. research firm. Moreover, 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 Montréal, as at March 13, 2020, the Corporation had approximately 5,500 employees. Since the beginning of the COVID-19 pandemic, this number has decreased and as at November 12, 2020, the Corporation has approximately 4,950 employees. Transat's head office is located at Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montréal, Québec, Canada H2X 4C2.

Documents Incorporated by Reference

All material change reports (other than confidential reports) filed by Transat with the applicable securities regulatory authorities in each of the provinces of Canada on SEDAR at www.sedar.com after the date of this Circular and before the date of the Meeting will, to the extent the terms of such material change reports provide that they are deemed to be incorporated by reference into this Circular, be deemed to be incorporated by reference herein. Any statement contained in this Circular or in any material change report so incorporated by reference in this Circular shall be deemed to be modified or superseded to the extent that a statement contained in a subsequently filed material change report which is deemed to be incorporated by reference in this Circular modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this Circular except as so modified or superseded.

Directors and Executive Officers

- Directors

The following table lists the name, province and country of residence of each director of the Corporation, his or her position and principal occupation, the year in which he or she became a director and his or her current committee membership.

Name, Province and Country of Residence	Principal Occupation	Director of the Corporation since	Committee
Raymond Bachand Québec, Canada	Strategic Advisor, Norton Rose Fulbright	March 2014	• Executive Committee • Audit Committee • Lead Director of the Corporation
Louis-Marie Beaulieu Québec, Canada	President and Chief Executive Officer, Groupe Desgagnés	March 2013	• Human Resources and Compensation Committee • Audit Committee
Lucie Chabot Québec, Canada	Corporate Director	October 2015	• Audit Committee • Risk Management and Corporate Governance Committee
Lina De Cesare Québec, Canada	Corporate Director	May 1989	• Risk Management and Corporate Governance Committee
W. Brian Edwards Québec, Canada	Corporate Director	June 2010	• Executive Committee • Human Resources and Compensation Committee (Chair) • Risk Management and Corporate Governance Committee
Jean-Marc Eustache Québec, Canada	Chair of the Board, President and Chief Executive Officer and Chair of the Executive Committee of the Corporation	February 1987	• Executive Committee (Chair)
Susan Kudzman Québec, Canada	Corporate Director	March 2014	• Human Resources and Compensation Committee • Risk Management and Corporate Governance Committee
Jean-Yves Leblanc Québec, Canada	Corporate Director	December 2008	• Executive Committee • Human Resources and Compensation Committee • Audit Committee (Chair)
Ian Rae Québec, Canada	Founder and Chief Executive Officer of CloudOps Inc.	October 2018	• Risk Management and Corporate Governance Committee
Jacques Simoneau Québec, Canada	Corporate Director	November 2000	• Executive Committee • Audit Committee • Risk Management and Corporate Governance Committee (Chair)
Louise St-Pierre Québec, Canada	Corporate Director	October 2017	• Human Resources and Compensation Committee
Philippe Sureau Québec, Canada	Corporate Director	February 1987	-

All members of the Board are Canadian residents. All of these individuals will continue in office until the Meeting. During the past five years, they have all served in their current function, or held their current position or another position within the corporation indicated opposite their name or a predecessor of that corporation, with the exception of:

- Lucie Chabot who, from 2014 to 2018, acted as the Vice President and Chief Financial Officer of Sail Outdoors Inc.;
- Susan Kudzman who, from 2014 to 2018, acted as the Executive Vice-President, Corporate Affairs and Chief Risk Officer of the Laurentian Bank of Canada;
- Jacques Simoneau who, from 2012 to July 12, 2019, acted as President, CEO and Director, Gestion Univalor, LP; and
- Louise St-Pierre who, from 2013 to 2016, acted as the President and Chief Executive Officer of Cogeco Connexion.

- Executive Officers

The following table lists the name, province/state and country of residence and the position within the Corporation of each Executive Officer of the Corporation.

Name, Province/State and Country of Residence	Position within the Corporation
Joseph Adamo Québec, Canada	President, Transat Distribution Canada Inc. and Vice-President and Chief Distribution Officer, Transat Tours Canada Inc.
Michèle Barre Québec, Canada	Vice-President, Network, Revenue Management, Pricing and Airline Programming, Transat Tours Canada Inc.
Bernard Bussières Québec, Canada	Vice-President, General Counsel and Corporate Secretary
Grant Elder (1) Québec, Canada	Vice-President, Operational Efficiency and Continuous Improvement
Jean-Marc Eustache Québec, Canada	Chair of the Board, President and Chief Executive Officer and Chair of the Executive Committee
Daniel Godbout Québec, Canada	Senior Vice-President and Advisor to the President
Annick Guérard Québec, Canada	Chief Operating Officer
Christophe Hennebelle Québec, Canada	Vice-President, Human Resources and Corporate Affairs
Bruno Leclaire Québec, Canada	Chief Information Officer and Digital Officer
Jean-François Lemay Québec, Canada	President-General Manager of Air Transat
Denis Pétrin Québec, Canada	Vice-President, Finance and Administration and Chief Financial Officer
Jordi Solé Florida, United States	President, Hotel Division

(1) Non-acting Executive Officer.

All Executive Officers are Canadian residents, except Mr. Jordi Solé, who currently lives and resides in the United States. During the past five years, the Executive Officers have all held their current position or another position within the Corporation, with the exception of:

- Grant Elder, who prior to September 24, 2018, was an independent consultant for COGECO;
- Jordi Solé, who prior to February 20, 2018, was Senior Vice-President Operations at Blue-Diamond Resorts; and
- Michèle Barre, who prior to September 11, 2017, was the SVP Inflight Services, at Air France.

Description of Share Capital

Transat's authorized share capital consists of an unlimited number of Class A variable voting shares Class B voting shares and preferred shares, issuable in series. All classes of shares in the capital of Transat are without nominal or par value. As at November 12, 2020, there were 37,747,090 Voting Shares and nil preferred shares issued and outstanding.

Dividend Policy

Transat has not paid any dividends on the Voting Shares since November 1, 2017 in order to, among other reasons, keep cash on hand to develop the hotel business and contend with business challenges arising from the prevailing economy. In accordance with the Arrangement Agreement, Transat will not declare or pay dividends or any other distributions on the Voting Shares until the completion of the Arrangement.

Ownership of Securities

- Situation prior to the Completion of Arrangement

The names of the directors and Executive Officers of Transat, the positions held by them with Transat and the number and percentage of outstanding Voting Shares beneficially owned, or over which control or direction is exercised, directly or indirectly, by each of them and, where known after reasonable inquiry, by their respective associates or affiliates, are set out in the following table. All the directors and Executive Officers of the Corporation have entered into Support and Voting Agreements. The table also sets out the number of Options, DSUs, and PSUs held by each of them, prior to the Arrangement (as at November 12, 2020, no RSU was held by any director or Executive Officer):

Name	Position within the Corporation	Class A variable voting shares (owned or otherwise) as of the date hereof	Class B voting shares (owned or otherwise) as of the date hereof	Voting Shares (%)	Voting Shares that are subject to vesting conditions	Options (vested and unvested)	DSUs	RSUs	PSUs
Raymond Bachand	Director	-	-	-	-	-	45,148	-	-
Louis-Marie Beaulieu	Director	-	20,000	0.05	-	-	29,601	-	-
Lucie Chabot	Director	-	6,290	0.02	-	-	18,158	-	-
Lina De Cesare	Director	-	35,576	0.09	-	-	19,476	-	-
W. Brian Edwards	Director	-	18,790[1]	0.05	-	-	48,287	-	-
Jean-Marc Eustache	Chair of the Board, President and Chief Executive Officer and Chair of the Executive Committee	-	427,202	1.13	-	918,816	10,331	-	152,798
Susan Kudzman	Director	-	-	-	-	-	45,240	-	-
Jean-Yves Leblanc	Director	-	13,000	0.03	-	-	29,493	-	-
Ian Rae	Director	-	-	-	-	-	3,949	-	-
Jacques Simoneau	Director	-	18,280[2]	0.05	-	-	21,658	-	-
Louise St-Pierre	Director	-	-	-	-	-	7,523	-	-
Philippe Sureau	Director	-	323,209	0.86	-	-	25,548	-	-

Name	Position within the Corporation	Class A variable voting shares (owned or otherwise) as of the date hereof	Class B voting shares (owned or otherwise) as of the date hereof	Voting Shares (%)	Voting Shares that are subject to vesting conditions	Options (vested and unvested)	DSUs	RSUs	PSUs
Joseph Adamo	President, Transat Distribution Canada Inc. and Vice-President and Chief Distribution Officer, Transat Tours Canada Inc.	-	43,910	0.12	2,721	38,311	-	-	21,830
Michèle Barre [3]	Vice-President, Network, Revenue Management, Pricing and Airline Programming, Transat Tours Canada Inc.	3,109[5]	-	0.01	693	6,202	-	-	7,937
Bernard Bussières	Vice-President, General Counsel and Corporate Secretary	-	80,096	0.21	1,840	164,663	1,099	-	22,546
Grant Elder [4]	Vice-President, Operational Efficiency and Continuous Improvement	-	1,614	0.004	522	-	-	-	-
Daniel Godbout	Senior Vice-President and Advisor to the President	-	61,217	0.16	664	191,987	1,264	-	25,757
Annick Guérard	Chief Operating Officer	-	66,523	0.18	3,592	111,863	-	-	50,554
Christophe Hennebelle	Vice-President, Human Resources and Corporate Affairs	-	33,125	0.09	1,785	24,636	-	-	20,746
Bruno Leclaire	Chief Information Officer and Digital Officer	-	22,628	0.06	1,802	18,239	-	-	21,714
Jean-François Lemay	President-General Manager of Air Transat	-	61,444	0.16	2,341	80,757	-	-	36,505
Denis Pétrin	Vice-President, Finance and Administration and Chief Financial Officer	-	91,879	0.24	3,051	155,096	-	-	37,910
Jordi Solé	President, Hotel Division	-	10,776	0.03	2,418	-	-	-	-
TOTAL	-	3,109	1,335,559	3.55	21,429	1,710,570	306,775	-	398,297

(1) 10,000 of which are beneficiary owned by Anne Mainguy Edwards.

(2) 5,000 of which are beneficiary owned by Fer3 Capital Inc.

(3) Michèle Barre is not “Canadian” within the meaning of the CT Act.

(4) Non-acting Executive Officer.

- Situation following Completion of Arrangement

The table below sets out, to the knowledge of the directors and Executive Officers of Transat, the consideration to be received in connection with the current Arrangement by each of the directors and Executive Officers of Transat:

Name	Position within the Corporation	2019 Replacement Bonus[(1)] ($)	Value of Voting Shares sold ($)	Value of the Options, DSUs, PSUs and RSUs ($)	Total consideration ($)
Raymond Bachand	Director	-	-	225,740	225,740
Louis-Marie Beaulieu	Director	-	100,000	148,005	248,005
Lucie Chabot	Director	-	31,450	90,790	122,240
Lina De Cesare	Director	-	177,880	97,380	275,260
W. Brian Edwards	Director	-	93,950	241,435	335,385
Jean-Marc Eustache	Chair of the Board, President and Chief Executive Officer and Chair of the Executive Committee	896,114	2,136,010	815,645	3,847,769
Susan Kudzman	Director	-	-	226,200	226,200
Jean-Yves Leblanc	Director	-	65,000	147,465	212,465
Ian Rae	Director	-	-	19,745	19,745
Jacques Simoneau	Director	-	91,400	108,290	199,690
Louise St-Pierre	Director	-	-	37,615	37,615
Philippe Sureau	Director	-	1,616,045	127,740	1,743,785
Joseph Adamo	President, Transat Distribution Canada Inc. and Vice-President and Chief Distribution Officer, Transat Tours Canada Inc.	126,211	233,153	109,150	468,514
Michèle Barre	Vice-President, Network Revenue Management, Pricing and Airline Programming, Transat Tours Canada Inc.	105,830	19,009	39,685	164,524
Bernard Bussières	Vice-President, General Counsel and Corporate Secretary	135,428	409,682	118,225	663,335
Grant Elder	Vice-President, Operational Efficiency and Continuous Improvement	97,605	10,678	-	108,283
Daniel Godbout	Senior Vice-President and Advisor to the President	148,632	309,407	135,105	593,144
Annick Guérard	Chief Operating Officer	404,061	350,573	252,770	1,007,404
Christophe Hennebelle	Vice-President, Human Resources and Corporate Affairs	130,878	174,552	103,730	409,160
Bruno Leclaire	Chief Information Officer and Digital Officer	132,174	122,149	108,570	362,893
Jean-François Lemay	President-General Manager of Air Transat	220,951	318,926	182,525	722,402
Denis Pétrin	Vice-President, Finance and Administration and Chief Financial Officer	220,951	474,648	189,550	885,149
Jordi Solé	President, Hotel Division	-	65,972	-	65,972
TOTAL	-	$2,618,835	$6,800,484	$3,525,360	$12,944,679

(1) The 2019 Replacement Bonus was granted because the grants under the long-term incentive plans could not be granted in January 2019 due to the Corporation's blackout policy. The 2019 Replacement Bonus is not subject to any performance criteria and is payable three (3) years after the grant date or upon a change of control, whichever arrives first. The 2020 Replacement Bonus, granted because grants under the long-term

incentive plans could not be granted in January 2020 due to the Corporation's blackout policy and payable three (3) years after the grant date, is not included in the above table as it does not relate to change of control as it was granted at what was at that time anticipated to be relatively close proximity to the closing date of the 2019 Arrangement Agreement and its payment will not be accelerated by closing of the Arrangement Agreement, as opposed to the 2019 Replacement Bonus.

Commitments to Acquire Securities of Transat

None of Transat and its directors and Executive Officers or, to the knowledge of the directors and Executive Officers of Transat, any of their respective associates or affiliates, any other insiders of Transat or their respective associates or affiliates or any person acting jointly or in concert with Transat has made any agreement, commitment or understanding to acquire securities of Transat.

Previous Purchases and Sales

There were no Voting Shares or other securities of the Corporation purchased or sold by the Corporation during the 12-month period preceding the Arrangement Agreement (excluding securities purchased or sold pursuant to pursuant to Incentive Plans).

Previous Distributions

The following table sets forth the Voting Shares distributed by the Corporation on an annual basis during the five-year period preceding the Arrangement Agreement:

Year of Distribution	Number of Voting Shares Issued on Exercise	Average Price per Issued Voting Share	Aggregate Value
2020 (through November 12)	-	-	-
2019	131,509	$5.39	$709,333
2018	204,476	$7.72	$1,578,048
2017	183,779	$6.07	$1,116,225
2016	192,140	$6.31	$1,212,603
2015	154,165	$6.51	$1,003,265

Market Price and Transaction Volume

The Class A variable voting shares and the Class B voting shares trade of Transat are listed and posted for trading on the TSX under a single trading symbol "TRZ".

The following table sets forth the high and low price range and average daily and total monthly trading volume, on a combined basis, of the Voting Shares as reported by the TSX for the 12-month period prior to the date of this Circular.

	Price Range ($)			
Month	High ($)	Low ($)	Average Daily Trading Volume	Total Monthly Volume
November 2019	16.37	15.16	79,963	1,679,230
December 2019	16.26	15.91	47,054	941,070
January 2020	16.35	15.94	42,513	935,288
February 2020	16.32	13.94	57,519	1,092,858
March 2020	15.21	4,68	250,264	5,505,805
April 2020	10.89	6.66	140,229	2,944,815

May 2020	10.06	6.55	187,001	3,740,024
June 2020	7.22	5.61	318,519	7,007,415
July 2020	5.85	5.00	106,287	2,338,312
August 2020	5.46	5.07	80,010	1,600,207
September 2020	5.27	3.80	120,699	2,534,672
October 2020	5.03	3.56	338,027	7,098,563
November 1 - 12, 2020	5.30	4.55	325,953	2,933,580

The closing price per Voting Share on October 8, 2020, the last full trading day on the TSX before the date of execution of the Arrangement Agreement, was $3.80.

Interest of Informed Persons in Material Transactions

Except as otherwise described elsewhere in this Circular, to the knowledge of the directors and Executive Officers of Transat, no director or officer of Transat, or person who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Voting Shares, or director or officer of such person, or associate or affiliate of the foregoing has any interest, direct or indirect, in any transaction since the commencement of Transat's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect Transat or any of its subsidiaries.

Material Changes in the Affairs of Transat

Except as publicly disclosed or otherwise described in this Circular, the directors and Executive Officers of Transat are not aware of any plans or proposals for material changes in the affairs of Transat.

Additional Information

Additional financial and other information relating to Transat is included in its most recent audited annual consolidated financial statements and unaudited interim financial statements, its annual and quarterly management's discussion and analysis and other continuous disclosure documents which are available on SEDAR at www.sedar.com. Additional copies of this Circular and the documents referred to in the preceding sentence are available, without charge where applicable, upon delivery of a written request, addressed to: Bernard Bussières, Vice-President, General Counsel and Corporate Secretary at Place du Parc, 300 Léo Pariseau Street, Suite 600, Montréal, Québec, H2X 4C2. The most recent unaudited interim financial statements will be sent without charge to any Shareholder requesting them.

ARRANGEMENT AGREEMENT

Transat entered into the Arrangement Agreement with the Purchaser on October 9, 2020. The Arrangement Agreement and the Plan of Arrangement are the legal documents that govern the Arrangement. The following is a summary of the material terms of the Arrangement Agreement and is subject to, and qualified in its entirety by, the full text of the Arrangement Agreement which is filed on SEDAR under Transat's issuer profile at www.sedar.com. The Corporation encourages Shareholders to read the Arrangement Agreement and the Plan of Arrangement in their entirety. The Arrangement Agreement establishes and governs the legal relationship between Transat and the Purchaser with respect to the transactions described in this Circular. It is not intended to be a source of factual, business or operational information about Transat or the Purchaser.

Pursuant to the Arrangement Agreement, it was agreed that the Parties would carry out the Arrangement in accordance with the Arrangement Agreement and the Plan of Arrangement. See "The Arrangement – Implementation of the Arrangement".

Capitalized terms used below which are not otherwise defined herein have the meaning ascribed thereto in the Arrangement Agreement.

Effective Date of the Arrangement

Upon filing the Articles of Arrangement with the Director pursuant to Section 192 of the CBCA, the Arrangement shall become effective on the date shown on the Certificate of Arrangement. The Arrangement Agreement provides that Closing, including the filing of the Articles of Arrangement with the Director, shall occur as soon as reasonably practicable (and in any event not later than five (5) Business Days) after the satisfaction or waiver of the conditions precedent set forth in the Arrangement Agreement, including obtaining the Required Shareholder Approval and the Key Regulatory Approvals, and upon the Final Order being granted.

If such approvals are obtained and conditions are met, the transaction is expected to be completed in late January or early February 2021. It is not possible, however, to state with certainty when the Effective Date will occur. The Effective Date could be earlier than anticipated or could be delayed for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order, or a delay in obtaining the Key Regulatory Approvals.

If the Arrangement is not completed on or prior to the Outside Date, the Parties may be entitled to terminate the Arrangement Agreement, subject to certain conditions as described herein.

Covenants

- Conduct of Business of the Corporation

During the period following October 9, 2020, being the date of the Arrangement Agreement, until the earlier of the Effective Time and the time that the Arrangement Agreement is terminated in accordance with its terms, except (a) with the prior written consent of the Purchaser (such consent not to be unreasonably withheld, conditioned or delayed); (b) as required by the Arrangement Agreement, (c) as required by applicable Law (other than any applicable Law promulgated in connection with or in response to COVID-19), (d) in order to take commercially reasonable steps to respond to emergency-type occurrences involving life, health, personal safety, or the protection of property incidents or accidents occurring on or after the date of the Arrangement Agreement (other than in connection with or in response to COVID-19, except for any operational emergency relating to COVID-19 involving life, health or personal safety that requires, in the reasonable opinion of the Corporation, a direct and immediate response), (e) in order to take commercially reasonable steps to respond to emergency-type occurrences involving the preservation of business systems or Corporation data (including with respect to data and privacy breaches) (other than in connection with or in response to COVID-19), (f) for COVID-19 Measures, or (g) as provided in the Corporation Disclosure Letter, the Corporation shall, and shall cause each of its Subsidiaries to: (i) conduct business in the Ordinary Course and in accordance with all applicable Laws, (ii) use commercially reasonable efforts to maintain and preserve, in the Ordinary Course, its and its Subsidiaries' respective business organization, operations, assets, properties, Authorizations, intellectual property, goodwill and relationships with all employees, consultants, agents and independent contractors of the Corporation or any of its Subsidiaries, Governmental Entities (including any Aviation Authority),

landlords, creditors, lessors, lessees, suppliers, licensors, licensees, unions, passengers and other customers, travel agents, strategic or alliance partners and other Persons, in each case with whom the Corporation or any of its Subsidiaries have material business relations, and (iii) use commercially reasonable efforts to manage the Corporation's and its Subsidiaries' quarterly level of Net Indebtedness, on a consolidated basis, in the Ordinary Course.

Without limiting the generality of the foregoing, and except with respect to the situations described in (a) to (g) above, the Corporation shall not, and shall cause its Subsidiaries not to, directly or indirectly, during the period following the date of the Arrangement Agreement until the earlier of the Effective Time and the time that the Arrangement Agreement is terminated in accordance with its terms:

(a) amend, restate, rescind, alter, enact or adopt all or any portion of any of the constating documents of the Corporation or its Subsidiaries;

(b) adjust, split, combine or reclassify, reduce the stated capital, purchase, redeem, repurchase or otherwise acquire any of its securities, or offer to do any of the foregoing, excluding the issuance by the Corporation of Class A variable voting shares or Class B voting shares upon the automatic conversion of either class of Voting Shares into the other, in accordance with the Corporation's constating documents;

(c) adopt a plan of complete or partial liquidation, arrangement, dissolution, amalgamation, merger, consolidation, restructuring, recapitalization, winding-up or other reorganization of the Corporation or any of its Subsidiaries (other than the Arrangement Agreement and the transactions contemplated by the Arrangement Agreement), or file a petition or proceeding in bankruptcy or insolvency under any applicable Law on behalf of the Corporation or any of its Subsidiaries, or consent (or not oppose) to the filing of any bankruptcy or insolvency petition or proceeding against the Corporation or any of its Subsidiaries under any applicable Law;

(d) except as set forth in the Corporation Disclosure Letter, enter into any new line of business or discontinue any existing line of business;

(e) issue, grant, deliver, sell, exchange, amend, modify, accelerate, pledge or otherwise subject to any lien (other than permitted liens) (i) any securities of the Corporation or any of its Subsidiaries, (ii) options or other rights to acquire, or exercisable or exchangeable for, or convertible into, any securities of the Corporation or any of its Subsidiaries (including any Incentive Securities), or (iii) any rights that are linked in any way to the price of any shares of, or to the value of or of any part of, or to any dividends or distributions paid on any shares of, the Corporation or any of its Subsidiaries (including any Incentive Securities), in each case other than (A) the issuance of Voting Shares issuable upon the exercise of Options outstanding on October 9, 2020, in accordance with the terms of the applicable Stock Option Plan, or (B) the issuance of Class A variable voting shares or Class B voting shares upon the automatic conversion of either class of Voting Shares into the other, in accordance with the Corporation’s constating documents;

(f) except as set forth in the Corporation Disclosure Letter, make, declare, set aside or pay any dividend or other distribution (whether in cash, securities or property or any combination thereof) on any class of securities of the Corporation or any of its Subsidiaries;

(g) except as set forth in the Corporation Disclosure Letter, invest or acquire an interest in (by amalgamation, merger, consolidation, exchange, purchase of securities, contributions to capital or purchase, lease or license of assets or otherwise) any Person, or any property or asset (including, in each case, any hotel, land or any real or immovable property), or make any capital expenditures, in each case, other than (i) acquisitions of Parts, inventory, equipment, raw materials, goods and other supplies in the Ordinary Course (other than Aircraft, Aircraft Engines, Spare Engines and flight simulators) and that do not exceed such annual aggregate amount specified in the Arrangement Agreement; (ii) the purchase or lease of Aircraft, Aircraft Engines, Spare Engines and Parts pursuant to firm commitments existing as of October 9, 2020, under Material Contracts listed in the Corporation Disclosure Letter or the purchase or lease of Aircraft Engines, Spare Engines and Parts reasonably required to replace broken, faulty, unserviceable, damaged or destroyed Aircraft Engines, Spare Engines and Parts; (iii) short-term investments of cash in marketable securities in the Ordinary Course, and (iv) in respect of the Marival Armony Luxury Resort & Suites, the Puerto Morelos Project or the hotel sector business of the Corporation and its Subsidiaries, as set out below;

(h) except as set forth in the Corporation Disclosure Letter, invest or acquire an interest in (by amalgamation, merger, consolidation, exchange, purchase of securities, contributions to capital or purchase, lease or license of assets or otherwise) any Person, or any property or asset (including, in each case, any hotel, land or any real or immovable property), or make any capital expenditures or operating expenses related to capital expenditures, in each case, in respect of the Marival Armony Luxury Resort & Suites, the Puerto Morelos Project or the hotel sector business of the Corporation and its Subsidiaries;

(i) except as disclosed in the Corporation Disclosure Letter, sell, sell and lease back, pledge, licence, lease, sublease, alienate, dispose, swap, transfer or voluntarily lose the right to use, in whole or in part, or otherwise dispose of, or subject to any lien (other than permitted liens), any Corporation asset (including the right to use any gates or bridges at any Corporation Airport) or any interest in any Corporation asset, or waive, cancel, release or assign to any Person (other than the Corporation and its wholly-owned Subsidiaries) any material right or claim (including Indebtedness owed to the Corporation and its Subsidiaries), except for (i) Corporation assets (other than Aircraft, Aircraft Engines, Spare Engines and flight simulators and any shares or voting or equity securities in any Subsidiaries of the Corporation) sold, leased or otherwise transferred in the Ordinary Course and that are not, individually or in the aggregate, material to the Corporation and its Subsidiaries; (ii) obsolete, damaged or destroyed assets in the Ordinary Course; (iii) returns of leased assets, including Corporation Aircraft and Corporation Engines, at the end of the lease term; (iv) the leasing or subleasing of Seasonal Aircraft or the leasing or subleasing of Aircraft for Ad Hoc Charters and the return of such Seasonal Aircraft and Aircraft for Ad Hoc Charters at the end of the applicable lease term, (v) transfers of assets between one or more of the Corporation and its wholly-owned Subsidiaries; (vi) as expressly required pursuant to the terms of any Material Contract in effect on the date of the Arrangement Agreement, (vii) Corporation assets sold or disposed of by the Joint Venture Subsidiary in the Ordinary Course, and (viii) sales or other dispositions of Corporation assets in the Ordinary Course not in excess of such aggregate amount specified in the Arrangement Agreement on an annual basis;

(j) except as set forth in the Corporation Disclosure Letter, fail to continue, in respect of all Corporation Aircraft, Corporation Engines and Corporation Parts all maintenance programs in

the Ordinary Course (except as required or permitted by applicable Law), including using commercially reasonable efforts to keep all such Corporation Aircraft, Corporation Engines and Corporation Parts in such condition as may be necessary to enable the airworthiness certification of such Corporation Aircraft, Corporation Engines and Corporation Parts under applicable Laws to be maintained in good standing at all times and to enable such Corporation Aircraft, Corporation Engines and Corporation Parts to remain serviceable;

(k) except as set forth in the Corporation Disclosure Letter, take any action, or fail to take any action, which action or failure could jeopardise the continued and Ordinary Course use by the Corporation or any of its Subsidiaries of, or result in a loss of, any (i) Corporation Slots; (ii) airport gates at Material Corporation Airports that are leased, subleased, licensed or sublicensed, swapped or otherwise occupied by the Corporation or any of its Subsidiaries (or for which the Corporation or any of its Subsidiaries has the right to occupy); or (iii) other material airport facilities at the Corporation Airports;

(l) except as disclosed in the Corporation Disclosure Letter, enter into any contract relating to or providing for a new, replacement or material enhancement of any reservation system, flight operating system, crew or maintenance system, frequent flyer system or other system, or materially increases the Corporation's and its Subsidiaries' financial or term commitment to any such system;

(m) except as disclosed in the Corporation Disclosure Letter, make any loan or similar advance to, or any capital contribution in, or assume, guarantee or otherwise become liable with respect to the liabilities or obligations of, any Person;

(n) except in the Ordinary Course, enter into, amend, modify, terminate or cancel any swap;

(o) except as disclosed in the Corporation Disclosure Letter, prepay any long-term Indebtedness before its scheduled maturity or increase, create, incur, assume or otherwise become liable for any Indebtedness or guarantees thereof other than (i) in connection with repayments in the Ordinary Course under the Corporation's or any Subsidiary's existing financing instruments consistent with past practices; so long as the Corporation at all times remains in compliance with the terms of the Existing Financing Instruments; or (ii) Indebtedness owing by the Corporation or a wholly-owned Subsidiary of the Corporation to the Corporation or to another wholly-owned Subsidiary of the Corporation;

(p) except as may be required by the terms of any written employment contract, Employee Plan or collective agreement existing on October 9, 2020, or as otherwise disclosed in the Corporation Disclosure Letter: (i) grant any general increase in the rates of wages, salaries, benefits, bonuses or other remuneration of any employees (other than increases in the Ordinary Course) or grant any increase in the rates of wages, salaries, benefits, bonuses, or other remuneration of any Senior Management Employee (other than increases in the Ordinary Course); (ii) grant or increase any severance, change of control, termination or similar compensation or benefits payable to any employee, consultant, agent or independent contractor of the Corporation or any of its Subsidiaries, or establish, adopt, enter into or amend any bonus, profit sharing, thrift, pension, retirement, deferred compensation, termination or severance plan, agreement, trust, fund, policy or other benefit arrangement as to any employee, consultant, agent, or independent contractor of the Corporation or any of its Subsidiaries; (iii) hire or engage any Employee or promote any

existing employee, other than (A) employees (other than Senior Management Employees) in the Ordinary Course on market terms for similarly situated employees, and (B) Senior Management Employees, hired or promoted in the Ordinary Course, after reasonable consultation with the Purchaser, (iv) make any material changes to the terms and conditions of employment applicable to any group of employees, as reflected in work rules, employee handbooks, policies and procedures, or otherwise, (v) establish, adopt, enter into, amend or terminate any Employee Plan (or any plan, contract, program, policy, trust, fund or other arrangement that would be an Employee Plan if it were in existence as of October 9, 2020), or increase or accelerate the timing of any funding obligation, funding contribution or payment of any compensation or benefits under any Employee Plan, other than commercially reasonable amendments to targets under any Incentive Plan in the Ordinary Course, or (vi) reduce the Corporation's or any of its Subsidiaries' work force in a material way or so as to trigger any collective dismissal provisions under applicable Laws;

(q) knowingly take any action or fail to take any action that would reasonably be expected to result in a breach or violation of the obligations of the Corporation or any of its Subsidiaries under any collective agreement or any contract with an employee;

(r) except as contemplated in the covenants in the Arrangement Agreement relating to insurance and indemnification, amend, modify or terminate, cancel or let lapse, any material insurance (or re-insurance) policy of the Corporation or any of its Subsidiaries, unless, simultaneously with any termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the terminated, cancelled or lapsed policies for substantially similar premiums (other than increases reflecting changing market rates made available by the insurance providers) are in full force and effect, and provided that no such termination, cancellation or lapse causes the Corporation or such Subsidiary to be in material default of any Material Contract or material Authorization to which it is a party or by which it is bound;

(s) enter into, amend or modify any contract with an insurance broker, intermediary, agent or any similar Person that cannot be terminated by the Corporation or its Subsidiary, as applicable, without penalty on no greater than thirty (30) days' notice;

(t) other than in the Ordinary Course, amend any existing material Authorization of the Corporation or any of its Subsidiaries, or abandon or fail to diligently pursue any application for any required material Authorization, or take or omit to take any action that would reasonably be expected to lead to the termination of, or imposition of conditions on, any such material Authorization of the Corporation or any of its Subsidiaries or such required material Authorization;

(u) knowingly take any action or fail to take any action that would reasonably be expected to result in a breach or violation by the Corporation or any of its Subsidiaries of any environmental Laws;

(v) settle or compromise any proceeding or threatened proceeding, in each case other than settlements or compromises in the Ordinary Course that involve only: (i) the payment of monetary damages (net of any payments or proceeds received through insurance) not in excess of such individual or aggregate amounts specified in the Arrangement Agreement, or (ii) the payment of immaterial non-monetary compensation, in each case without any admission of wrongdoing by the Corporation or any of its Subsidiaries, or the imposition of any material

restrictions (including through the granting of equitable relief) on the business and operations of the Corporation or any of its Subsidiaries;

(w) except as disclosed in the Corporation's Disclosure Letter, enter into, amend or modify in any material respect, or terminate or cancel, or waive or fail to exercise any material rights under, any Material Contract, or enter into any contract that would be a Material Contract if in effect on October 9, 2020, in each case, other than: (i) immaterial amendments in the Ordinary Course; or (ii) contracts with customers, suppliers of services or goods, corporate and trade incentive sales contracts (other than with respect to Aircraft, Aircraft Engines or Spare Engines), in each case, entered into in the Ordinary Course;

(x) (i) enter into, amend or modify in any respect, or terminate or cancel, or waive or fail to exercise any right under, or exercise any right (including any put, call, drag or similar right) that could result, directly or indirectly, in the disposition or acquisition of any ownership interest governed by, any Material Contract described in clause (b) of the definition of Material Contract relating to the Joint Venture Subsidiary or Trafictours Canada Inc., or enter into any contract relating to the Joint Venture Subsidiary or Trafictours Canada Inc. that would be a Material Contract described in clause (b) of the definition of Material Contract if it were entered into on October 9, 2020, or (ii) enter into any Material Contract described in clause (b) of the definition of Material Contract or enter into any contract that would be a Material Contract described in clause (b) of the definition of Material Contract if it were entered into on October 9, 2020 (or, in each case, enter into any amendment or modification to a contract that would have the same effect as entering into any such Material Contract or contract), in each case, having a term in excess of two (2) years or that cannot be terminated by the Corporation or any of its Subsidiaries, as applicable, without penalty on sixty (60) days' notice;

(y) enter into, amend, or modify in any material respect, or terminate or cancel any collective agreement, provided however, that the Corporation may in the Ordinary Course (i) negotiate, in good faith and enter into, supersede, extend or renew any collective agreement which has expired, or is within six (6) months of expiring, and (ii) negotiate, in good faith, the entering into of any collective agreement with any union formed after October 9, 2020, provided that, in each case, except to the extent prohibited by applicable Law, the Corporation has agreed to reasonably consult with the Purchaser and to consider in good faith the Purchaser's opinions with respect to the aforementioned matters;

(z) except as disclosed in the Corporation Disclosure Letter, engage in any transaction with any Senior Management Employee, vice-president, director or any of their immediate family members (including spouses) or any related party (within the meaning of Regulation 61-101), other than (i) expense reimbursements, expense accounts and advances in the Ordinary Course; (ii) employment contracts with employees hired in accordance with the terms of the Arrangement Agreement; (iii) transactions between the Corporation and any of its wholly-owned Subsidiaries or between two or more wholly-owned Subsidiaries; or (iv) as otherwise permitted by the Arrangement Agreement;

(aa) make any change in the Corporation's tax or financial accounting policies, practices, principles, methods or procedures, except as required by applicable Law or as required by IFRS (including with respect to the implementation of IFRS 16);

(bb) except as required by applicable Law: (i) make, change or rescind any material tax election, information schedule, return or designation, (ii) settle or compromise any material tax claim, assessment, reassessment, liability, proceeding or controversy, (iii) file any materially amended Tax Return, (iv) enter into any material agreement with a Governmental Entity with respect to Taxes or with a Corporation Airport with respect to Ticket Taxes, (v) enter into or change any material tax sharing, tax advance pricing agreement, tax allocation or tax indemnification agreement that is binding on the Corporation or its Subsidiaries, (vi) surrender any right to claim a material tax abatement, reduction, deduction, exemption, credit or refund, (vii) consent to the extension or waiver of the limitation period applicable to any material tax matter, or (viii) make a request for a material tax ruling to any Governmental Entity or (ix) materially amend or change any of its methods for reporting income, deductions or accounting for income tax purposes;

(cc) take any action that would, or would reasonably be expected to, materially delay or impede the consummation of the Arrangement, or the satisfaction of any of the conditions precedent set forth in the Arrangement Agreement;

(dd) grant or commit to grant an exclusive licence or otherwise transfer any Corporation intellectual property or exclusive rights in or in respect thereto that is material to the Corporation and its Subsidiaries taken as a whole, other than to wholly-owned Subsidiaries;

(ee) except as disclosed in the Corporation Disclosure Letter, take any action or fail to take any action that would, or would reasonably be expected to in the aggregate (i) cause the tax attributes of assets of the Corporation or any of its Subsidiaries or the amount of tax loss carry-forwards of the Corporation or any of its Subsidiaries to materially and adversely change from what is reflected in their respective Tax Returns; or (ii) render such tax loss carry-forwards unusable (in whole or in part) by any of them or any successor of the Corporation;

(ff) enter into or amend any contract with an independent contractor, consultant or advisor of the Corporation or any of its Subsidiaries (i) providing annual compensation in excess of such amount specified in the Arrangement Agreement or (ii) that is not cancellable by Corporation or any of its Subsidiaries without penalty on notice of sixty (60) days or less; or

(gg) authorize, agree, offer, resolve or otherwise commit, whether or not in writing, to do any of the foregoing.

Moreover, during the period from the date of the Arrangement Agreement until the earlier of the Effective Time and the time that the Arrangement Agreement is terminated in accordance with its terms, the Corporation and its Subsidiaries shall, not less than thirty (30) Business Days prior to the expiration of any Aircraft Contract or Aircraft Finance Contract (other than leases or subleases of Seasonal Aircraft, Ad Hoc Charters, and short-term leases or subleases of Aircraft Engines or Spare Engines, in each case, having a term of less than six (6) months) (or, in each case, the expiration of the option to exercise material rights thereunder), provide the Purchaser with written notice of such deadline, a copy of any such Contract and copies of all material information that the Corporation and its Subsidiaries have in their possession or control that is relevant to a decision about whether to renew, extend or modify such Contract (or, in the case of an option, exercise such option), and cooperate and consult with the Purchaser regarding the decision about whether to renew, extend or modify such Contract (or, in the case of an option, exercise such option).

Nothing in the Arrangement Agreement shall result in the Purchaser exercising material influence over the business or operations of the Corporation or its Subsidiaries prior to the Effective Date. For greater certainty, prior to the Effective Date, the Corporation will exercise, consistent with the terms of the Arrangement Agreement, complete control and supervision over its and its Subsidiaries' business and operations.

- Covenants of the Corporation Regarding the Arrangement

Subject to the terms and conditions of the Arrangement Agreement, the Corporation shall, and shall cause its Subsidiaries to, perform all obligations required or desirable to be performed by the Corporation or any of its Subsidiaries under the Arrangement Agreement, cooperate with the Purchaser in connection therewith, and do all such other commercially reasonable acts and things as may be necessary or desirable to consummate and make effective, as soon as reasonably practicable (unless required to perform same earlier), the transactions contemplated by the Arrangement Agreement and, without limiting the generality of the foregoing, the Corporation shall and, where appropriate, shall cause its Subsidiaries to (other than in connection with obtaining the Other Regulatory Approvals and Key Regulatory Approvals, which approvals shall be governed by the specific provisions of the Arrangement Agreement relating to covenants regarding regulatory approvals):

(a) use commercially reasonable efforts to satisfy all conditions precedent in the Arrangement Agreement and take all steps set forth in the Interim Order and the Final Order applicable to it and comply promptly with all requirements imposed by Law applicable to it or its Subsidiaries with respect to the Arrangement Agreement or the Arrangement;

(b) use commercially reasonable efforts to provide, obtain and maintain all third party notices or other notices and consents, waivers, permits, exemptions, orders, approvals, agreements, amendments or confirmations that are (A) required to be obtained under the Material Contracts in connection with the Arrangement, the Arrangement Agreement or the other transactions contemplated thereby, or (B) required in order to maintain the Material Contracts in full force and effect following completion of the Arrangement, in each case, on terms that are reasonably satisfactory to the Purchaser, and without paying, and without committing itself or the Purchaser to pay, any consideration or incur any liability or obligation without the prior written consent of the Purchaser (it being expressly agreed by the Purchaser that, with respect to (A) and (B) above, the receipt of such notices, consents, waivers, permits, exemptions, orders, approvals, agreements, amendments or confirmations shall not be in and of itself a condition to the closing of the Arrangement);

(c) use commercially reasonable efforts to effect all necessary registrations, filings and submissions of information required by Governmental Entities from the Corporation and its Subsidiaries relating to the Arrangement;

(d) use commercially reasonable efforts to, upon reasonable consultation with the Purchaser, oppose, lift or rescind any order seeking to restrain, enjoin or otherwise prohibit or adversely affect the consummation of the Arrangement, and defend, or cause to be defended, any proceedings to which it is a party or brought against it or its directors or officers challenging the Arrangement, the Arrangement Agreement or the transactions contemplated thereby (provided, that neither the Corporation nor any of its Subsidiaries shall consent to the entry of any judgment

or settlement with respect to any such proceedings without the prior written approval of the Purchaser, not to be unreasonably withheld, conditioned or delayed);

(e) comply with the covenants set forth in the Corporation Disclosure Letter;

(f) not take any action, or refrain from taking any commercially reasonable action, or permit any action to be taken or not taken, in each case, which is inconsistent with the Arrangement Agreement or which would reasonably be expected to prevent, delay or otherwise impede the consummation of the Arrangement or the transactions contemplated by the Arrangement Agreement; and

(g) use commercially reasonable efforts to assist the Purchaser in obtaining the resignations and mutual releases (in a form satisfactory to the Purchaser, acting reasonably) of each member of the Board and each member of the board of directors of the Corporation's wholly-owned Subsidiaries (and, in the case of Subsidiaries that are not wholly-owned, of the directors nominated by the Corporation), and causing them to be replaced by Persons nominated by the Purchaser effective as of the Effective Time.

Unless prohibited by applicable Law, the Corporation shall promptly (but in no event by later than the third Business Day following any of the events described below) notify the Purchaser of:

(a) any Material Adverse Effect or any change, event, occurrence, effect, state of facts and/or circumstance that, individually or in the aggregate, would reasonably be expected to have or develop into a Material Adverse Effect;

(b) any notice or other communication from any Person alleging that the consent (or waiver, permit, exemption, order, approval, agreement, amendment or confirmation) of such Person (or another Person) is or may be required in connection with the Arrangement, the Arrangement Agreement or any of the transactions contemplated thereby;

(c) any notice or other communication from any Person, including a Governmental Entity (other than a Governmental Entity in connection with the Key Regulatory Approvals and Other Regulatory Approvals, which shall be addressed as contemplated in the covenants regarding regulatory approvals in the Arrangement Agreement) in connection with the transactions contemplated by the Arrangement Agreement (and, unless prohibited by Law, the Corporation shall contemporaneously provide a copy of any such written notice or communication to the Purchaser);

(d) (i) any notice or other communication from any bargaining agent representing employees giving notice to bargain and as permitted by Law, copies of any proposals tabled by any such bargaining agent that, if implemented, would materially modify the terms of a collective agreement; and (ii) the status of any ongoing collective bargaining negotiations with any union between October 9, 2020, and the Effective Time and promptly provide the Purchaser with copies of all material documents tabled by either party in the course of any such collective bargaining negotiations;

(e) any inquiry, proposal or offer made or received by, or discussions or negotiations involving, the Corporation or one of its Subsidiaries, in each case regarding any potential amendment, termination, cancellation or request for waiver under a Material Contract, or the entering into of

any Contract that would be a Material Contract if in effect on the date of the Arrangement Agreement;

(f) any material breach or default, or any notice of material breach or default, by the Corporation or any of its Subsidiaries of any Material Contract or material Authorization to which it is a party or by which it is bound; or

(g) any (i) proceedings commenced or, to the knowledge of the Corporation, threatened against, relating to or involving or otherwise affecting the Arrangement, the Arrangement Agreement or any of the transactions contemplated thereby; and (ii) material proceedings commenced or, to the knowledge of the Corporation, threatened against, relating to or involving or otherwise affecting the Corporation, its Subsidiaries or the Corporation assets.

As soon as reasonably practicable and in any event no later than the Wednesday of each succeeding week, the Corporation shall deliver to the Purchaser a statement setting forth, in reasonable detail, the calculation of the net indebtedness (each, a "Net Indebtedness Statement") as of the close of business on the last Business Day of the calendar week then most recently ended, together with supporting information in substance and format reasonably acceptable to the Purchaser.

Following the receipt of the Key Regulatory Approvals and confirmation by the Purchaser of the satisfaction or waiver of the mutual conditions precedent and the additional conditions precedent of the Purchaser set out the Arrangement Agreement (excluding conditions that, by their terms, cannot be satisfied until the Effective Date), a workforce reduction plan shall be determined, established in light of the impact of the COVID-19 pandemic, that the Corporation shall publicly announce and shall initiate prior to closing of the transactions contemplated in the Arrangement Agreement by providing, when applicable, notice to all of the applicable unionized and non-unionized employees as contemplated in and determined in accordance with the Corporation Disclosure Letter, the whole in accordance with the Canada Labor Code and/or applicable Laws (in consultation with the Purchaser), as it relates to individual and collective dismissals, and any written employment agreement or applicable collective bargaining agreement.

- Covenants of the Purchaser Regarding the Arrangement

The Purchaser shall perform all obligations required or desirable to be performed by it under the Arrangement Agreement, cooperate with the Corporation in connection therewith, and do all such other commercially reasonable acts and things as may be necessary or desirable to consummate and make effective, as soon as reasonably practicable, the transactions contemplated by the Arrangement Agreement and, without limiting the generality of the foregoing, the Purchaser shall (other than in connection with obtaining the Key Regulatory Approvals and the Other Regulatory Approvals, which approvals shall be governed by specific provisions of the Arrangement Agreement relating to covenants regarding regulatory approvals:

(a) use commercially reasonable efforts to satisfy all conditions precedent in the Arrangement Agreement and take all steps set forth in the Interim Order and the Final Order applicable to it and comply promptly with all requirements imposed by Law applicable to it with respect to the Arrangement Agreement or the Arrangement;

(b) use commercially reasonable efforts to effect all necessary registrations, filings and submissions of information required by Governmental Entities from it relating to the Arrangement;

(c) use commercially reasonable efforts to oppose, lift or rescind any order seeking to restrain, enjoin or otherwise prohibit or adversely affect the consummation of the Arrangement, and defend, or cause to be defended, any proceedings to which it is a party or brought against it or its directors or officers challenging the Arrangement, the Arrangement Agreement or the transactions contemplated thereby; and

(d) not take any action, or refrain from taking any commercially reasonable action, or permit any action to be taken or not taken, in each case, which is inconsistent with the Arrangement Agreement or which would reasonably be expected to prevent, delay or otherwise impede the consummation of the Arrangement or the transactions contemplated by the Arrangement Agreement.

The Purchaser shall promptly notify the Corporation in writing of (a) any notice or other communication from any Person alleging that the consent (or waiver, permit, exemption, order, approval, agreement, amendment or confirmation) of such Person (or another Person) is or may be required in connection with the Arrangement Agreement or the Arrangement; or (b) any proceedings commenced or, to its knowledge, threatened against, relating to or involving or otherwise affecting the Purchaser that relate to the Arrangement Agreement or the Arrangement, in the case of each of (a) and (b), to the extent that such notice, communication or proceeding would reasonably be expected to impair, impede, materially delay or prevent the Purchaser from performing its obligations under the Arrangement Agreement.

- Covenants Regarding Regulatory Approvals

The Parties shall, as promptly as practicable, prepare and file all necessary documents, registrations, statements, petitions, filings and applications required to obtain the Key Regulatory Approvals and the Other Regulatory Approvals and use their commercially reasonable efforts to obtain as promptly as practicable and maintain all Key Regulatory Approvals and Other Regulatory Approvals. The Purchaser shall pay all filing fees incurred in connection with the Key Regulatory Approvals and the Other Regulatory Approvals.

The Parties shall cooperate and coordinate with one another in connection with obtaining the Key Regulatory Approvals and Other Regulatory Approvals, including by providing or submitting as promptly as possible all documentation and information that is required, or in the opinion of the Purchaser, acting reasonably, advisable, in connection with obtaining the Key Regulatory Approvals or Other Regulatory Approvals and using their best efforts to ensure that such information does not contain a misrepresentation.

The Parties shall cooperate with and keep one another fully informed as to the status of and the processes and proceedings relating to obtaining the Key Regulatory Approvals and Other Regulatory Approvals, and shall promptly notify each other of any communication from any Governmental Entity in respect of the Arrangement, the Arrangement Agreement or the transactions contemplated thereby and respond as promptly as reasonably possible to any inquiries or requests received from a Governmental Entity in respect of any Key Regulatory Approval or Other Regulatory Approval; and shall not make any submissions or filings, participate in any meetings, conversations or correspondence with any Governmental Entity in respect of the Arrangement, the Arrangement Agreement or the transactions

contemplated thereby unless it consults with the other Party in advance and, to the extent not precluded by such Governmental Entity, gives the other Party the opportunity to review drafts of any submissions, filings or correspondence (including responses to requests for information and inquiries from any Governmental Entity) and will provide the other Party a reasonable opportunity to comment thereon and consider those comments in good faith, and attend and participate in any communications or meetings, and shall provide the other Party and its counsel with final copies of all such material submissions, correspondence, filings, presentations, applications, plans, and other material documents submitted to or filed with any Governmental Entity in respect of the transactions contemplated by the Arrangement Agreement. Despite the foregoing, submissions, filings or other written communications with any Governmental Entity may be redacted as necessary before sharing with the other Party to remove competitively sensitive information, provided that a Party must provide external legal counsel to the other Party non-redacted versions of such draft and final submissions, filings or other written communications on the basis that the redacted information will not be shared with the clients of the receiving external legal counsel.

The Purchaser, acting reasonably and diligently, and after consultation with the Corporation, will determine and direct, except as prohibited by applicable Law, the efforts to obtain the Key Regulatory Approvals and the Other Regulatory Approvals, including leading all communications and strategy relating to such efforts, provided, for greater certainty, that such authority does not affect, alter or mitigate the Purchaser's obligation to comply with its covenants described above. For greater certainty, in no circumstances shall the Corporation state or suggest that the Purchaser is prepared to provide or agree to any undertakings, conditions or remedies in connection with obtaining any Key Regulatory Approval or Other Regulatory Approval, without the prior consent of the Purchaser.

- Covenants Relating to Access to Information and Confidentiality

From the date of the Arrangement Agreement until the earlier of the Effective Time and the termination of the Arrangement Agreement, subject to applicable Law and the terms of any existing contract (including the Confidentiality Arrangements), the Corporation shall, and shall cause its Subsidiaries to, upon reasonable prior notice: (a) give the Purchaser and its Representatives, consultants and independent contractors reasonable access to its and its Subsidiaries' offices, premises, properties, assets, senior personnel, contracts and books and records (including continuing access to the data room); and (b) furnish to the Purchaser and its Representatives, consultants, and independent contractors such financial and operating data or other information with respect to the assets or business of the Corporation as the Purchaser may reasonably request; provided that the Corporation's compliance with such request shall not unduly interfere with the conduct of the business of the Corporation and its Subsidiaries.

Any information provided in accordance with the foregoing that is non-public and/or proprietary in nature shall be subject to the terms of the Confidentiality Arrangements; provided that to the extent any provision of such Confidentiality Arrangements conflicts with the terms of the Arrangement Agreement, the terms of the Arrangement Agreement shall prevail. For greater certainty, if the Arrangement Agreement is terminated in accordance with its terms, any obligations of the Parties and their respective Representatives under the Confidentiality Arrangements shall survive the termination of the Arrangement Agreement in accordance with the terms of the Confidentiality Arrangements.

- Covenants Relating to a Pre-Acquisition Reorganization

Subject to the terms of the Arrangement Agreement, the Corporation has agreed that, upon request of the Purchaser, the Corporation shall, and shall cause its Subsidiaries to, use commercially reasonable efforts to (a) perform such reorganizations of their corporate structure, capital structure, business, operations and assets or such other transactions as the Purchaser may request, acting reasonably (each a "Pre-Acquisition Reorganization"); (b) cooperate with the Purchaser and its advisors to determine the nature of the Pre-Acquisition Reorganizations that might be undertaken and the manner in which they would most effectively be undertaken; and (c) cooperate with the Purchaser and its advisors to seek to obtain any consents, approvals, waivers or similar authorizations which are reasonably required by the Purchaser (based on the applicable terms of the Contract) in connection with the Pre-Acquisition Reorganizations, if any, provided that any out-of-pocket costs, fees or expenses of the Corporation or any of its Subsidiaries associated therewith shall be at the Purchaser's sole expense.

The Corporation will not be obligated to participate in any Pre-Acquisition Reorganization under the Arrangement Agreement unless the Corporation determines in good faith that such Pre-Acquisition Reorganization:

(a) can be completed immediately prior to the Effective Date, and can be unwound in the event the Arrangement is not consummated without adversely affecting, or being prejudicial to, the Corporation, its Subsidiaries or the Shareholders;

(b) is effected as close as reasonably practicable prior to the Effective Time;

(c) does not require the approval of any of the Shareholders (other than the Required Shareholder Approval);

(d) does not require the Corporation or its Subsidiaries to take any action that could reasonably be expected to result in taxes being imposed on, or any adverse tax or other consequences to, any Shareholders incrementally greater than the taxes or other consequences to such party in connection with the completion of the Arrangement in the absence of action being taken pursuant to the foregoing provisions;

(e) does not result in any material breach by the Corporation or any of its Subsidiaries of any contract or any breach by the Corporation or any of its Subsidiaries of their respective organizational documents or Law; and

(f) does not impair, impede or prevent the ability of the Corporation to consummate, and will not materially delay the consummation of, the Arrangement.

If the Arrangement Agreement is terminated (other than by the Purchaser pursuant to its right to terminate the Arrangement Agreement upon a breach by the Corporation of any of its representations or warranties or covenants), the Purchaser (a) shall forthwith reimburse the Corporation for all out-of-pocket costs, fees and expenses incurred by the Corporation and its Subsidiaries in connection with any proposed Pre-Acquisition Reorganization, and (b) shall indemnify and hold harmless the Corporation and its Subsidiaries from and against any and all liabilities, losses, damages, claims, penalties, interests, awards, judgements and Taxes suffered or incurred by any of them in connection with or as a result of

any Pre-Acquisition Reorganization, or take all necessary steps to reverse or unwind any Pre-Acquisition Reorganization.

- Covenants Relating to Tax Matters

The Corporation has covenanted and agreed that as promptly as possible after the date of the Arrangement Agreement, until the Effective Date, the Corporation and its Subsidiaries shall (a) duly and timely file with the appropriate Governmental Entity, or with the appropriate Corporation Airport, all Tax Returns (including, for greater certainty, CEWS Returns) required to be filed by any of them, which shall be correct and complete in all material respects, (b) reasonably consult with the Purchaser with respect to the discretionary deductions to be claimed in respect of any such Tax Return where claiming such discretionary deductions would otherwise give rise to a non-capital loss for tax purposes and (c) pay, withhold, collect and remit to the appropriate Governmental Entity and to the appropriate Corporation Airport in a timely fashion all amounts required to be so paid, withheld, collected or remitted. The Corporation shall keep the Purchaser reasonably informed of any events, discussions, notices or changes with respect to any Tax or regulatory audit or investigation or any other investigation by a Governmental Entity or by a Corporation Airport or Proceeding involving the Corporation or any of its Subsidiaries (other than Ordinary Course communications which could not reasonably be expected to be material to the Corporation and the Subsidiaries on a consolidated basis).

From the date of the Arrangement Agreement until the Effective Date, in the event that the Corporation or any its Subsidiaries refunds, adjusts or credits any amount representing sales Taxes, Ticket Taxes or any other similar Taxes, fees or charges for the benefit of a customer (a "Tax Adjustment"), it shall claim forthwith from the applicable Governmental Entities or Corporation Airports, as applicable, in the applicable reporting period, any available adjustment, deduction, credit, reimbursement or refund related to such Tax Adjustment.

Until the Effective Date, the Corporation shall give advance notice of any proposed parking, storage or grounding of any aircraft in the United States and shall undertake to consult with the Purchaser on ways to mitigate any Tax, indemnity, gross-up exposure or increase in any lease payment resulting therefrom and shall duly and promptly implement any reasonable mitigation measures proposed by the Purchaser;

Except as disclosed pursuant to the Corporation Disclosure Letter and except in the course of the normal operation of scheduled flights for a period, in each case of such scheduled flights, not exceeding 24 hours, or, in the case of an emergency landing situation, for the shortest period reasonably required, the Corporation shall ensure that none of the Corporation Aircraft or the Corporation Engines will be located, parked or stored in the United States on December 31, 2020 or January 1, 2021.

The Corporation shall ensure that, for the full calendar year 2020, none of the Corporation Aircraft or the Corporation Engines will spend or will be located, parked or stored 183 days or more, in the United States, either on the ground or in the air.

- Covenants Relating to Public Communications

Except as required by applicable Law, the Parties have agreed that neither Party shall issue any press release or make any other public statement or disclosure with respect to the Arrangement Agreement or the transactions contemplated by the Arrangement Agreement without the prior written consent of the other Party (which consent shall not be unreasonably withheld, conditioned or delayed); provided that,

subject to the covenants regarding non-solicitation in the Arrangement Agreement, any Party that, in the opinion of outside legal counsel, is required to make disclosure by applicable Law (other than disclosures to Governmental Entities in connection with the Other Regulatory Approvals and Key Regulatory Approvals, which shall be addressed in the manner contemplated by the covenants regarding regulatory approvals in the Arrangement Agreement), shall use its best efforts to give the other Party prior oral or written notice and a reasonable opportunity to review or comment on such disclosure (other than with respect to confidential information contained in such disclosure) and if such prior notice is not permitted by applicable Law, shall give such notice immediately following the making of such disclosure. The Party making such disclosure shall give reasonable consideration to any comments made by the other Party or its counsel. For the avoidance of doubt, none of the foregoing shall prevent the Corporation or the Purchaser from making (a) internal announcements to employees and having discussions with shareholders, financial analysts and other stakeholders, or (b) public announcements in the Ordinary Course that do not relate specifically to the Arrangement Agreement or the Arrangement, in each case, so long as such announcements and discussions are consistent in all material respects with the most recent press releases, public disclosures or public statements made by such Person.

- Notice and Cure Provisions

From the period commencing on the date of the Arrangement Agreement and continuing until the earlier of the Effective Time and the termination of the Arrangement Agreement in accordance with its terms, each Party has covenanted and agreed to promptly notify the other Party of the occurrence, or failure to occur, of any event or state of facts which occurrence or failure would, or would be reasonably likely to cause any of the representations or warranties of such Party contained in the Arrangement Agreement to be untrue or inaccurate in any material respect at any time from the date of the Arrangement Agreement to the Effective Time; or result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such Party under the Arrangement Agreement.

The Corporation may not elect to exercise its right to terminate the Arrangement Agreement pursuant to a breach by the Purchaser of any of its representations or warranties or a failure to perform any of its covenants under the Arrangement Agreement, and the Purchaser may not elect to exercise its right to terminate the Arrangement Agreement pursuant to a breach by the Corporation of any of its representations or warranties or a failure to perform any of its covenants under the Arrangement Agreement, unless the Party seeking to terminate the Arrangement Agreement (the "Terminating Party") will have delivered a written notice (the "Termination Notice") to the other Party (the "Breaching Party") specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which the Terminating Party asserts as the basis for termination. After delivering a Termination Notice, provided the Breaching Party is proceeding diligently to cure such matter and such matter is capable of being cured prior to the Outside Date, the Terminating Party may not exercise such termination right until the earlier of (a) the Outside Date, and (b) the date that is fifteen (15) Business Days following receipt of such Termination Notice by the Breaching Party, if such matter has not been cured by such date, provided that, for greater certainty, if any matter is not capable of being cured by the Outside Date, the Terminating Party may immediately exercise the applicable termination right, and provided further that a Willful Breach shall be deemed to be incapable of being cured.

If the Terminating Party delivers a Termination Notice prior to the date of the Meeting, unless the Parties agree otherwise, the Corporation shall postpone or adjourn the Meeting to the earlier of (a) five (5)

Business Days prior to the Outside Date and (b) the date that is fifteen (15) Business Days following receipt of such Termination Notice by the Breaching Party.

- Covenants Relating to Insurance and Indemnification

Prior to the Effective Date, the Corporation shall purchase customary "tail" policies of directors' and officers' liability insurance, from a reputable third party insurer, providing protection no less favourable in the aggregate to the protection provided by the policies maintained by the Corporation and its wholly-owned Subsidiaries which are in effect immediately prior to the Effective Date and providing protection in respect of claims arising from facts or events which occurred on or prior to the Effective Date and the Purchaser shall, or shall cause the Corporation and its wholly-owned Subsidiaries to maintain such tail policies in effect without any reduction in scope or coverage for six (6) years after the Effective Date, provided that the Purchaser shall not be required to pay any amounts in respect of such coverage prior to the Effective Time and provided further that the cost of such policies shall not exceed 300% of the Corporation's and its wholly-owned Subsidiaries current annual aggregate premium for policies currently maintained by the Corporation or its wholly-owned Subsidiaries.

From and after the Effective Time, the Purchaser has agreed to cause the Corporation to honour all rights to indemnification or exculpation that were existing as of the date of the Arrangement Agreement in favour of present and former employees, officers and directors of the Corporation and its Subsidiaries to the extent they have been provided under applicable law, the constating documents of the Corporation and its Subsidiaries or under indemnification agreements entered into in the Ordinary Course, and acknowledged that such rights shall survive the completion of the Plan of Arrangement and shall continue in full force and effect in accordance with their terms for a period of not less than six (6) years after the Effective Date.

- Covenants Relating to TSX Delisting

The Corporation and the Purchaser have each agreed to cooperate with the other Party in taking, or causing to be taken, all actions necessary to delist the Voting Shares from the TSX as promptly as practicable following the Effective Time (including, if requested by the Purchaser, such items as may be necessary to delist the Voting Shares on the Effective Date).

- Covenants Regarding Stock Exchange Approval

The Purchaser shall apply for and obtain the Stock Exchange Approval.

- Covenants Relating to Transaction Litigations

Each of the Corporation and Purchaser shall, as promptly as reasonably practicable, notify each other in writing of any Transaction Litigation and shall keep each other informed on a reasonably prompt basis regarding any such Transaction Litigation. The Corporation shall give the Purchaser the opportunity to (a) participate in the defense of any Transaction Litigation, and (b) consult with outside legal counsel to the Corporation regarding the defense, settlement or compromise with respect to any such Transaction Litigation. With respect to the foregoing, "participate" means that the Purchaser will be kept reasonably apprised on a prompt basis of proposed strategy and other significant decisions with respect to the Transaction Litigation (to the extent that the attorney-client privilege between the Corporation and its outside legal counsel is not undermined or otherwise adversely affected, provided that, in such case, the

Parties shall cooperate in seeking to find a way to allow disclosure of the proposed strategy or other significant decision to the extent doing so could reasonably (in the good faith belief of the Corporation, after consultation with outside legal counsel) be managed through the use of customary "clean-room" arrangements or the entering into of any "common interest" contract or similar contract), and the Purchaser may offer comments or suggestions with respect to such Transaction Litigation which the Corporation shall consider in good faith; provided that the Corporation shall not settle or compromise or agree to settle or compromise any Transaction Litigation without the Purchaser's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed.

- Covenants of the Purchaser Regarding Employment Matters

From and after the Effective Time, the Purchaser shall cause the Corporation to honour and comply in all material respects with all of the obligations of the Corporation under employment agreements with current or former employees, as the case may be, and for a period of twelve (12) months following the Effective Time shall cause the Corporation to provide the employees with benefits and total compensation that are, in the aggregate, at least substantially comparable to, those provided to such employees immediately prior to the Effective Time, provided that the foregoing shall not (a) give any employees any right to continued employment; (b) affect (other than as provided below) or otherwise increase the severance, post-termination benefits or other termination entitlements of employees under their current employment agreements, the Employee Retention Policy and the retirement agreements disclosed in the Corporation Disclosure Letter and the related trust agreement and letter of credit, or applicable Law, (c) impair in any way the right of the Corporation to terminate the employment of any employee or amend or terminate any of the Employee Plans at any time, either on a standalone basis or as an alternative to other voluntary cost reduction efforts offered to Employees; or (d) apply to any employee who is or becomes covered by a collective agreement whose terms and conditions of employment of each such employee following the Effective Time shall be governed by the terms of the applicable collective agreement.

From and after the Effective Time, the Purchaser shall cause the Corporation to honour and comply in all material respects with all of the obligations of the Corporation under the Employee Retention Policy and the retirement agreements disclosed in the Corporation Disclosure Letter and the related trust agreement and letter of credit, provided that no provision of the foregoing shall (a) give any employees any right to continued employment, (b) affect (other than as provided under the present paragraph) or otherwise increase the severance, post-termination benefits or other termination entitlements of employees under their current employment agreements, or applicable Law, (c) impair in any way the right of the Corporation to terminate the employment of any employee, (d) apply to any employee who is or becomes covered by a collective agreement whose terms and conditions of employment of each such employee following the Effective Time shall be governed by the terms of the applicable collective agreement, or (e) give any employee any right to both a lump sum payment and a monthly pension in respect of his or her service prior to the Closing.

- Payment of the Consideration

The Purchaser shall, following receipt of the Final Order and immediately prior to the filing by the Corporation of the Articles of Arrangement with the Director, provide or cause to be provided to the Depositary sufficient funds and Purchaser Shares to be held in escrow (the terms and conditions of such escrow to be satisfactory to the Corporation and the Purchaser, each acting reasonably) to satisfy the

aggregate Consideration payable to the Shareholders by the Purchaser as provided for in the Plan of Arrangement (other than with respect to Shareholders exercising Dissent Rights as provided in the Plan of Arrangement).

Covenants Regarding Non-Solicitation

Except as expressly provided for in the Arrangement Agreement, the Corporation agreed pursuant to the Arrangement Agreement that it shall not, and shall cause its subsidiaries not to, directly or indirectly, through any of its Representatives or affiliates, or otherwise, and shall not permit any such Person to:

(a) solicit, assist, initiate, knowingly encourage or otherwise knowingly facilitate, (including by way of furnishing or providing copies of, access to, or disclosure of, any confidential information, properties, facilities, books or records of the Corporation or any Subsidiary or entering into any form of agreement, arrangement or understanding) any inquiry, proposal or offer (whether public or otherwise) that constitutes or may reasonably be expected to constitute or lead to, an Acquisition Proposal or a Specified Transaction;

(b) enter into, engage in, continue or otherwise participate in any discussions or negotiations with any Person (other than the Purchaser and its affiliates) regarding any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to, an Acquisition Proposal or a Specified Transaction;

(c) make a Change in Recommendation;

(d) accept, approve, endorse or recommend or publicly propose to accept, approve, endorse or recommend, or take no position or remain neutral with respect to, any Acquisition Proposal or a Specified Transaction (it being understood that publicly taking no position or a neutral position with respect to a publicly announced, or otherwise publicly disclosed, Acquisition Proposal or a Specified Transaction for a period of no more than five (5) Business Days following such public announcement or public disclosure will not be considered to be in violation of the non-solicitation covenants in the Arrangement Agreement, (or in the event that the Meeting is scheduled to occur within such five (5) Business Day period, prior to the third (3rd) Business Day prior to the date of the Meeting)); or

(e) accept or enter into, or publicly propose to accept or enter into, any agreement, understanding or arrangement with any Person in respect of an Acquisition Proposal or a Specified Transaction, other than a confidentiality and standstill agreement permitted by and in accordance with the terms of the Arrangement Agreement.

The Corporation has covenanted and agreed that (a) the Corporation shall take all necessary action to enforce each confidentiality, standstill, non-disclosure, non-solicitation or similar agreement, restriction or covenant to which the Corporation or any Subsidiary is a party or may hereafter become a party in accordance the Arrangement Agreement, and (b) neither the Corporation, nor any Subsidiary nor any of their respective Representatives have released or will, without the prior written consent of the Purchaser (which may be withheld or delayed in the Purchaser's sole and absolute discretion), release any Person from, or waive, amend, suspend or otherwise modify, such Person's obligations respecting the Corporation or any of its Subsidiaries under any confidentiality, standstill, non-disclosure, non-solicitation or similar agreement, restriction or covenant to which the Corporation or any Subsidiary is a party (it

being acknowledged by the Purchaser that the automatic termination or release of any such agreement, restriction or covenant as a result of entering into the Arrangement Agreement shall not be a violation of the foregoing), nor will the Corporation waive the application of the Rights Plan in favour of any third party (other than the Purchaser as necessary).

- Notification of Acquisition Proposals

If the Corporation or any of its Subsidiaries or any of their respective Representatives, receives or otherwise becomes aware of any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal or a Specified Transaction, or any request for copies of, access to, or disclosure of, confidential information relating to the Corporation or any of its Subsidiaries, including the information, access or disclosure relating to the properties, facilities, books and records of the Corporation or any of its Subsidiaries, the Corporation shall, subject to the Corporation Disclosure Letter, promptly notify the Purchaser, at first orally, and then promptly and in any event within twenty-four (24) hours in writing, of such Acquisition Proposal, inquiry, proposal, offer or request, including a description of its material terms and conditions, the identity of all Persons making the Acquisition Proposal, inquiry, proposal, offer or request, and copies of all written documents, material or substantive correspondence or other material received in respect of, from or on behalf of any such Person.

The Corporation shall keep the Purchaser fully informed of the status of all material developments, and to the extent permitted by the provisions regarding responses to an Acquisition Proposal in the Arrangement Agreement, the discussions and negotiations with respect to such Acquisition Proposal, inquiry, proposal, offer or request, including any changes, modifications or other amendments to any such Acquisition Proposal, inquiry, proposal, offer or request and shall promptly provide to the Purchaser copies of all material correspondence if in writing or electronic form, and if not in writing or electronic form, a description of the material or substantive terms of such correspondence communicated to the Corporation by or on behalf of any Person making such Acquisition Proposal, inquiry, proposal, offer or request.

- Responding to an Acquisition Proposal

Notwithstanding the covenants regarding non-solicitation of the Arrangement Agreement or any other agreement between the Parties or between the Corporation and any other Person, including without limitation the Confidentiality Arrangements, if at any time, prior to obtaining the Required Shareholder Approval, the Corporation receives a *bona fide* unsolicited written Acquisition Proposal, the Corporation may (a) contact the Person making such Acquisition Proposal and its Representatives solely for the purpose of clarifying the terms and conditions of such Acquisition Proposal, and (b) engage in or participate in discussions or negotiations with such Person regarding such Acquisition Proposal, and may provide copies of, access to or disclosure of confidential information, properties, facilities, or books and records of the Corporation or any of its Subsidiaries, if and only if, in the case of clause (b):

(a) the Board first determines (based upon, amongst other things, the recommendation of the Special Committee) in good faith, after consultation with its financial advisors and its outside legal counsel, that such Acquisition Proposal constitutes, or could reasonably be expected to constitute or lead to a Superior Proposal;

(b) such Person making the Acquisition Proposal was not restricted from making such Acquisition Proposal pursuant to an existing confidentiality, standstill, non-disclosure, non-solicitation or

similar agreement, restriction or covenant contained in any contract entered into with the Corporation or any of its Subsidiaries;

(c) the Corporation has been, and continues to be, in compliance with the covenants regarding non-solicitation of the Arrangement Agreement;

(d) prior to providing any such copies, access, or disclosure, the Corporation enters into a confidentiality and standstill agreement with such Person that contains a customary standstill provision and that is otherwise on terms that are no less favourable to the Corporation than those found in the Confidentiality Arrangements, and any such copies, access or disclosure provided to such Person shall have already been (or promptly be) provided to the Purchaser (by posting such information to the data room or otherwise); and

(e) prior to providing any such copies, access or disclosure, the Corporation promptly provides the Purchaser with a true, complete and final executed copy of the aforementioned confidentiality and standstill agreement.

The Parties have acknowledged that the furnishing of certain competitively sensitive information to certain competitors of the Corporation and of its Subsidiaries, including the Purchaser, would be materially prejudicial to the Corporation and its Subsidiaries and, accordingly, no such information shall be disclosed to any Person that the Special Committee, acting reasonably, determines (a) to be a competitor of the Corporation or of any of its Subsidiaries in some material respect, and (b) that such disclosure would be materially prejudicial to the Corporation and its Subsidiaries. Notwithstanding the foregoing, if competitively sensitive information with respect to the Corporation or its Subsidiaries ("Restricted Information") is not disclosed to the Purchaser on the basis of the foregoing restrictions and such Restricted Information is later disclosed to a Person, the Corporation shall promptly provide and make available such Restricted Information, on a confidential basis, through external advisors and experts retained by the Purchaser who enter into agreements reasonably satisfactory to the Corporation, providing that such information will not be provided or communicated to the Purchaser, its officers, directors, financing sources or other Representatives.

- Right to Match

If the Corporation receives an Acquisition Proposal that constitutes a Superior Proposal prior obtaining the Required Shareholder Approval, the Board may (based upon, amongst other things, the recommendation of the Special Committee), subject to compliance with the terms of the Arrangement Agreement concerning termination rights and the payment of termination fees, enter into a definitive agreement with respect to such Superior Proposal and make a Change in Recommendation, if and only if:

(a) the Person making the Superior Proposal was not restricted from making such Superior Proposal pursuant to an existing confidentiality, standstill, non-disclosure, non-solicitation or similar agreement, restriction or covenant contained in any contract entered into with the Corporation or any of its Subsidiaries;

(b) the Corporation has been, and continues to be, in compliance with the covenants regarding non-solicitation in the Arrangement Agreement;

(c) the Corporation has delivered to the Purchaser a written notice of the determination of the Board that such Acquisition Proposal constitutes a Superior Proposal and of the intention of the Board to enter into such definitive agreement and to make a Change in Recommendation with respect to such Superior Proposal (the "Superior Proposal Notice");

(d) the Corporation has provided the Purchaser a copy of the proposed definitive agreement for the Superior Proposal and all supporting materials, including any financing documents supplied to the Corporation in connection therewith, subject to, in the case of financing documents, customary confidentiality provisions with respect to fee letters or similar information;

(e) at least five (5) full Business Days (the "Matching Period") have elapsed from the date that is the later of the date on which the Purchaser received the Superior Proposal Notice and the date on which the Purchaser received a copy of the materials referred to in paragraph (d) above;

(f) during any Matching Period, the Purchaser has had the opportunity (but not the obligation), in accordance with the provisions of the Arrangement Agreement, to offer to amend the Arrangement Agreement and the Arrangement in order for such Acquisition Proposal to cease to be a Superior Proposal;

(g) after the Matching Period, the Board has (i) determined in good faith, after consultation with the Corporation's outside legal counsel and financial advisors, that such Acquisition Proposal continues to constitute a Superior Proposal (if applicable, compared to the terms of the Arrangement Agreement and the Arrangement as proposed to be amended by the Purchaser) and (ii) determined in good faith, after consultation with the Corporation's outside legal counsel that the failure by the Board to cause the Corporation to enter into a definitive agreement or make a Change in Recommendation with respect to such Superior Proposal would be inconsistent with its fiduciary duties; and

(h) prior to or concurrently with entering into such definitive agreement and making a Change in Recommendation, the Corporation terminates the Arrangement Agreement in the circumstances allowed for the acceptance of a Superior Proposal pursuant to the terms of the Arrangement Agreement, and pays the Termination Fee.

During the Matching Period, or such longer period as the Corporation may approve (in its sole discretion) in writing for such purpose: (a) the Purchaser shall have the opportunity (but not the obligation) to offer to amend the Arrangement and the Arrangement Agreement in order for such Acquisition Proposal to cease to be a Superior Proposal and the Board shall, in consultation with the Corporation's outside legal counsel and financial advisors, review any offer made by the Purchaser to amend the terms of the Arrangement Agreement in accordance with the right to match provisions of the Arrangement Agreement and the Arrangement in good faith in order to determine whether such proposal would, upon acceptance, result in the Acquisition Proposal previously constituting a Superior Proposal ceasing to be a Superior Proposal; and (b) the Corporation shall, and shall cause its Representatives to, negotiate in good faith with the Purchaser to make such amendments to the terms of the Arrangement Agreement and the Arrangement as would enable the Purchaser to proceed with the transactions contemplated by the Arrangement Agreement on such amended terms. If the Board (based upon, *inter alia*, the recommendation of the Special Committee) determines that such Acquisition Proposal would cease to be a Superior Proposal, the Corporation shall promptly so advise the Purchaser and the Corporation and

the Purchaser shall amend the Arrangement Agreement to reflect such offer made by the Purchaser, and shall take and cause to be taken all such actions as are necessary to give effect to the foregoing.

Each successive amendment or modification to any Acquisition Proposal that results in an increase in, or modification of, the consideration (or value of such consideration) to be received by the Shareholders or other material terms or conditions thereof shall constitute a new Acquisition Proposal for the purposes of the right to match provisions of the Arrangement Agreement, and the Purchaser shall be afforded a new full five (5) Business Day Matching Period from the later of the date on which the Purchaser received the Superior Proposal Notice and the date on which the Purchaser received all of the materials referred to in the right to match provisions of the Arrangement Agreement with respect to each new Superior Proposal from the Corporation.

The Board shall promptly reaffirm the Board Recommendation (based upon, *inter alia*, the recommendation of the Special Committee) by press release after any Acquisition Proposal which the Board has determined not to be a Superior Proposal is publicly announced or publicly disclosed or the Board determines that a proposed amendment to the terms of the Arrangement Agreement or the Arrangement as contemplated under the right to match provisions of the Arrangement Agreement would result in an Acquisition Proposal no longer being a Superior Proposal. The Corporation shall provide the Purchaser and its outside legal with a reasonable opportunity to review the form and content of any such press release and shall make all reasonable amendments to such press release as requested by the Purchaser and its outside legal counsel. Notwithstanding anything to the contrary in the Arrangement Agreement, in the event that the Board is permitted to enter into a definitive agreement with respect to a Superior Proposal and make a Change in Recommendation in accordance with the terms of the Arrangement Agreement, the Corporation shall have no obligation to consult with the Purchaser prior to making any disclosure related to such decision to enter into a definitive agreement and Change in Recommendation.

If the Corporation provides a Superior Proposal Notice to the Purchaser on a date that is less than ten (10) Business Days before the Meeting, the Corporation shall be entitled to and shall upon request from the Purchaser, postpone the Meeting to a date that is not more than fifteen (15) Business Days after the scheduled date of the Meeting, but in any event to a date that is less than five (5) Business Days prior to the Outside Date.

Notwithstanding anything to the contrary set forth in the Arrangement Agreement, (including the covenants regarding non-solicitation contained in the Arrangement Agreement) nothing shall prohibit the Board (or the Special Committee) from:

(a) responding through a directors' circular or otherwise as required by Law to an Acquisition Proposal, provided that the Corporation shall provide the Purchaser and its outside legal counsel with a reasonable opportunity to review and comment on the form and content of such circular or other disclosure and shall give reasonable consideration to the comments made by the Purchaser and its outside legal counsel;

(b) calling or holding a meeting of Shareholders requisitioned by Shareholders in accordance with the CBCA; or

(c) taking any action to fulfill its disclosure or legal obligations to Shareholders prior to the Effective Time if the Board, after consultation with outside legal counsel and financial advisors, has

determined in good faith that a failure to take such action or make such disclosure would reasonably be expected to be inconsistent with the Board's exercise of its fiduciary duties or such action or disclosure is otherwise required under applicable Law or ordered or otherwise mandated by a court of competent jurisdiction in accordance with applicable Law, provided, however, that (i) except in circumstances where the Board is permitted to make a Change in Recommendation in accordance with the terms of the Arrangement Agreement, the Corporation shall provide the Purchaser and its outside legal counsel with a reasonable opportunity to review and comment on the form and content of any disclosure so to be made, and shall give reasonable consideration to comments made by the Purchaser and its outside legal counsel, and (ii) notwithstanding that the Board may be permitted to take any such action, the Board shall not be permitted to make a Change in Recommendation other than as set forth in the Arrangement Agreement.

- Breach by Subsidiaries and Representatives

The Corporation has agreed to advise its Subsidiaries and its and their Representatives of the prohibitions set out in the covenants regarding non-solicitation of the Arrangement Agreement and any violation thereof by the Corporation, its Subsidiaries or its or their respective Representatives will be deemed to be a breach of thereof by the Corporation. Furthermore, the Corporation shall be responsible for any breach the covenants regarding non-solicitation by its Subsidiaries and its and its Subsidiaries' Representatives.

Intervening Events

Subject to and in accordance with the Arrangement Agreement, the Board may, at any time prior to obtaining the Required Shareholder Approval, make a Change in Recommendation in response to any Intervening Event if the Board (based upon, amongst other things, the recommendation of the Special Committee) has determined in good faith, after consultation with the Corporation's outside legal counsel and financial advisers, that the failure by the Board to make such a Change in Recommendation in response to such Intervening Event would be inconsistent with its fiduciary duties.

Upon becoming aware of an Intervening Event, the Corporation shall promptly provide a written notice to the Purchaser describing the Intervening Event in reasonable detail (the "Intervening Event Notice"), and shall at all times keep the Purchaser reasonably informed of developments with respect to such Intervening Event (whether it results in a Change in Recommendation or not). Prior to the Board making a Change in Recommendation in response to an Intervening Event, (A) the Corporation shall provide the Purchaser with prior written notice advising the Purchaser it intends to effect a Change in Recommendation and specifying, in reasonable detail, the reasons therefor, including the reasons for which the Board believes that failure to make a Change in Recommendation in response to the Intervening Event would be inconsistent with its fiduciary duties, (B) during the period ending after the later of five (5) Business Days following receipt of the Intervening Event Notice and three (3) Business Days following the date the Corporation provides the Purchaser all of the information reasonably required by it, or such longer period as the Corporation and the Purchaser may agree acting reasonably (the "Intervening Event Notice Period"), the Purchaser shall have the opportunity (but not the obligation) to (i) request such additional information as it may reasonably require (which information shall be provided promptly to the Purchaser), and (ii) offer to amend the Arrangement and this Arrangement Agreement and the Corporation shall, and shall cause its Representatives to, negotiate in good faith (to the extent the Purchaser desires to negotiate) any proposal by the Purchaser to amend the terms and

conditions of the Arrangement Agreement so that the failure to make such Change in Recommendation in response to such Intervening Event would no longer be inconsistent with the Board's fiduciary duties, and (C) at the end of such Intervening Event Notice Period, the Board (based upon, amongst other things, the recommendation of the Special Committee) shall have determined in good faith, after consultation with the Corporation's outside legal counsel and financial advisers (after in good faith taking into account any amendments proposed by the Purchaser), that the failure by the Board to make a Change in Recommendation in response to such Intervening Event would continue to be inconsistent with its fiduciary duties.

Representations and Warranties

The Arrangement Agreement contains certain representations and warranties made by the Corporation to the Purchaser relating to the following: organization and qualification, corporate authorization, execution and binding obligation, governmental authorization, no conflict/non-contravention, capitalization, shareholders' and similar agreements, rights plan, subsidiaries, securities law matters, U.S. securities law matters, financial statements, disclosure controls and internal controls over financial reporting, minute books, auditors, no undisclosed liabilities, solvency, transactions with directors, officers, employees, etc., no "collateral benefit", absence of certain changes or events, compliance with laws, authorizations and licenses, opinion of financial advisor, brokers, board and special committee approval, material contracts, restrictions on conduct of business, no guarantees, real property, other assets, intellectual property, business systems, corporation software, litigation, environmental matters, employees, collective agreements, employee plans, insurance, taxes, non-arm's length transactions, anti-terrorism laws, corrupt practices legislation, trade compliance, money laundering, privacy and anti-spam, franchise matters, Aircraft, Aircraft Engines, Spare Engines and Parts, Corporation Slots, investigations, Corporation Airports, major suppliers and disclosure.

The Arrangement Agreement contains certain representations and warranties made by the Purchaser relating to the following: organization and qualification; corporate authorization; execution and binding obligation; governmental authorization; no conflict/non-contravention; securities law matters; Purchaser Shares; financial statements; internal controls; litigation; funds available, security ownership; Canadian status and U.S. Securities Act.

The representations and warranties were made solely for the purposes of the Arrangement Agreement and may, in some cases, be subject to important qualifications, limitations and exceptions agreed to by the Parties.

The representations and warranties of the Corporation contained in the Arrangement Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Time and the date on which the Arrangement Agreement is terminated in accordance with its terms.

Closing Conditions

- Mutual Conditions Precedent

Under the terms of the Arrangement Agreement, the Parties are not required to complete the Arrangement unless each of the following conditions is satisfied on or prior to the Effective Time, which conditions may only be waived, in whole or in part, by the mutual consent of each of the Parties:

(a) the Arrangement Resolution shall have been approved and adopted by the Shareholders at the Meeting in accordance with the Interim Order;

(b) the Interim Order and the Final Order shall each have been obtained on terms consistent with the Arrangement Agreement, and not have been set aside or modified in a manner unacceptable to either the Corporation or the Purchaser, each acting reasonably, on appeal or otherwise;

(c) each of the Key Regulatory Approvals shall have been made, given or obtained and is in force and has not been rescinded or modified;

(d) no Law is in effect that makes the consummation of the Arrangement illegal or otherwise prohibits or enjoins the Corporation or the Purchaser from consummating the Arrangement; and

(e) the Stock Exchange Approval has been obtained and is in force and has not been rescinded.

- Additional Conditions Precedent to the Obligations of the Purchaser

The Purchaser is not required to complete the Arrangement unless each of the following conditions is satisfied on or before the Effective Time, which conditions are for the exclusive benefit of the Purchaser and may only be waived, in whole or in part, by the Purchaser in its sole discretion:

(a) (i) the representations and warranties of the Corporation concerning Corporate Authorization, Execution and Binding Obligation, Capitalization, Subsidiaries (to some extent) and Solvency in the Arrangement Agreement were true and correct in all respects (except, other than with respect to the representation and warranty concerning Solvency, for *de minimis* inaccuracies) as of the date of the Arrangement Agreement and true and correct in all respects (except, other than with respect to the representation and warranty concerning Solvency, for *de minimis* inaccuracies and inaccuracies which are the result of transactions, changes, conditions, events or circumstances specifically permitted thereunder), as of the Effective Time as if made at and as of such time, (ii) the representations and warranties of the Corporation concerning Organization and Qualification, No Conflict/Non Contravention, Rights Plan, Subsidiaries (to some extent), No Undisclosed Liabilities, Compliance with Laws, Authorizations and Licenses, and Brokers in the Arrangement Agreement were true and correct in all material respects (disregarding any materiality, "material" or "Material Adverse Effect" qualification contained in any such representation or warranty) as of the date of the Arrangement Agreement and as of the Effective Time as if made at and as of such time (except that any such representation and warranty that by its terms speaks specifically as of the date of the Arrangement Agreement or another date shall be true and correct in all respects as of such date); and (iii) all other representations and warranties of the Corporation set forth in the Arrangement Agreement shall be true and correct in all respects (disregarding any materiality, "material" or "Material Adverse Effect" qualification contained in any such representation or warranty) as of the date of the Arrangement Agreement and as of the Effective Time as if made at and as of such time (except that any such representation and warranty that by its terms speaks specifically as of the date of the Arrangement Agreement or another date shall be true and correct in all respects as of such date), except where the failure to be so true and correct in all respects, individually or in the aggregate, has not had or would not reasonably be expected to have a Material Adverse Effect; and the Corporation shall have delivered a certificate confirming same to the Purchaser, executed by two (2) senior officers of

the Corporation (in each case without personal liability) addressed to the Purchaser and dated the Effective Date;

(b) the Corporation shall have fulfilled or complied in all respects with each of the notification covenants described in paragraphs (a) to (g) on pages 66-67 and the workforce reduction covenant also on page 67 and in all material respects with each of the covenants of the Corporation contained in the Arrangement Agreement to be fulfilled or complied with by it on or prior to the Effective Time, and the Corporation will have delivered a certificate confirming same to the Purchaser, executed by two (2) senior officers of the Corporation (each without personal liability) addressed to the Purchaser and dated the Effective Date;

(c) there are no proceedings pending or threatened by any Person (other than the Purchaser) in any jurisdiction that would: (i) cease trade, enjoin, prohibit, or impose any material limitations or conditions on, the Purchaser's ability to acquire, hold, or exercise full rights of ownership over, any Voting Shares, including the right to vote the Voting Shares; (ii) impose terms or conditions on completion of the Arrangement or on the ownership or operation by the Purchaser of the business or assets of the Purchaser and its affiliates, or the Corporation or any of its Subsidiaries, or compel the Purchaser to dispose of or hold separate any portion of the business or assets of the Purchaser and its affiliates, the Corporation or any of its Subsidiaries as a result of the Arrangement, in each case beyond what the Purchaser is required to accept or agree to pursuant to the covenants regarding regulatory approvals; or (iii) impair, impede or prevent the consummation of the Arrangement;

(d) Dissent Rights have not been exercised (or, if exercised, remain outstanding) with respect to more than 10% of the issued and outstanding Voting Shares and the Corporation shall have delivered a certificate confirming same to the Purchaser, executed by two (2) senior officers of the Corporation (each without personal liability) addressed to the Purchaser and dated the Effective Date;

(e) each of the Other Regulatory Approvals that is required from an Aviation Authority to permit the Corporation and its Subsidiaries to operate their respective businesses in the Ordinary Course following the consummation of the transactions contemplated by the Arrangement Agreement has been made, given or obtained and is in force and has not been rescinded or modified, except for those Other Regulatory Approvals the failure to obtain of which would not, individually or in the aggregate, materially impair the operations of the business of the Corporation and its Subsidiaries on a consolidated basis;

(f) since October 9, 2020, there shall not have occurred a Material Adverse Effect and the Corporation shall have delivered a certificate confirming the same to the Purchaser, executed by two (2) senior officers of the Corporation (in each case without personal liability) addressed to the Purchaser and dated the Effective Date; and

(g) the Net Indebtedness, calculated in accordance with the terms of the Corporation Disclosure Letter, shall not exceed (i) if Closing occurs on or prior to December 31, 2020, the amount set forth in the Arrangement Agreement as of November 30, 2020, (ii) if Closing occurs after December 31, 2020 but on or prior to January 31, 2021, the amount set forth in the Arrangement Agreement as of December 31, 2020, or (iii) if Closing occurs after January 31, 2021, the amount set forth in the Arrangement Agreement as of January 31, 2021; and the Corporation has

delivered (a) a certificate confirming same to the Purchaser, executed by two (2) senior officers of the Corporation (in each case without personal liability) addressed to the Purchaser and dated the Effective Date, and (b) a Net Indebtedness Statement setting forth the Net Indebtedness as of the close of business on (A) November 30, 2020 (if Closing occurs on or prior to December 31, 2020), (B) December 31, 2020 (if Closing occurs after December 31, 2020 but on or prior to January 31, 2021), or (C) January 31, 2021 (if Closing occurs after January 31, 2021) (the "Net Indebtedness Condition").

- Additional Conditions Precedent to the Obligations of the Corporation

The Corporation is not required to complete the Arrangement unless each of the following conditions is satisfied on or before the Effective Time, which conditions are for the exclusive benefit of the Corporation and may only be waived, in whole or in part, by the Corporation in its sole discretion:

(a) (i) the representations and warranties of the Purchaser set forth in the Arrangement Agreement are true and correct in all respects (disregarding any materiality or "material" qualification contained in any such representation or warranty) as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of such specified date), except where the failure to be so true and correct in all respects would not, individually or in the aggregate, materially impede the completion of the Arrangement, and (ii) the Purchaser shall have delivered a certificate confirming same to the Corporation, executed by two (2) senior officers of the Purchaser (in each case, without personal liability), addressed to the Corporation and dated the Effective Date;

(b) the Purchaser shall have fulfilled or complied in all material respects with each of the covenants of the Purchaser contained in the Arrangement Agreement to be fulfilled or complied with by it on or prior to the Effective Time and will have delivered a certificate confirming same to the Corporation, executed by two (2) senior officers of the Purchaser (each without personal liability) addressed to the Corporation and dated the Effective Date; and

(c) subject to obtaining the Final Order and the satisfaction or waiver of the other conditions precedent contained in the Arrangement Agreement in its favour (other than those which, by their nature, are only capable of being satisfied as of the Effective Time), the Purchaser shall have deposited or caused to be deposited with the Depositary in escrow (the terms and conditions of such escrow to be satisfactory to the Corporation and the Purchaser, acting reasonably) the funds and Air Canada Shares required to effect payment in full of the aggregate Consideration to be paid pursuant to the Arrangement and the Depositary has confirmed receipt of such funds.

RELEASES

Pursuant to the Plan of Arrangement, from and after the Effective Time, except as set forth therein with respect to the payment of any consideration and the exercise of any Dissent Rights, all actions, causes of action, claims or proceedings (actual or contingent and whether or not previously asserted) based on or in any way relating to, arising out of, or in connection with, any Voting Shares, Incentive Securities, the 2019 Arrangement Agreement, the Plan of Arrangement or the Arrangement shall be deemed to have been settled, compromised, released and determined without liability and each of the Released Parties shall be released and discharged from any and all actions, causes of action, claims or proceedings (actual or contingent and whether or not previously asserted), damages, demands and liabilities of any person

based on or in any way relating to, arising out of, or in connection with, the Voting Shares, the Incentive Securities, the 2019 Arrangement Agreement, the Plan of Arrangement and the Arrangement.

Termination

The Parties have agreed that the Arrangement Agreement shall be effective from the date of the Arrangement Agreement until the earlier of the Effective Date and the termination of the Arrangement Agreement in accordance with its terms.

The Arrangement Agreement may be terminated and the Arrangement abandoned at any time prior to the Effective Time by:

(a) the mutual written agreement of the Parties;

(b) either the Corporation or the Purchaser if:

(i) the Arrangement Resolution is not approved by the Shareholders at the Meeting in accordance with the Interim Order provided that a Party may not terminate the Arrangement Agreement for this reason if the failure to obtain the Required Shareholder Approval has been caused by, or is a result of, a breach by such Party of any of its representations or warranties or the failure of such Party to perform any of its covenants or agreements under the Arrangement Agreement;

(ii) after the date of the Arrangement Agreement, any Law (including with respect to the Key Regulatory Approvals) is enacted, made, enforced or amended, as applicable, that makes the consummation of the Arrangement illegal or otherwise permanently prohibits or enjoins the Corporation or the Purchaser from consummating the Arrangement, and such Law has, if applicable, become final and non-appealable, provided that a Party may not terminate the Arrangement Agreement for this reason if the enactment, making, enforcement or amendment of such Law has been caused by, or is a result of, a breach by such Party of any of its representations or warranties or the failure of such Party to perform any of its covenants or agreements under the Arrangement Agreement, and provided that the Party seeking to terminate the Arrangement Agreement as provided above, has used its best efforts (or, in respect of the Key Regulatory Approvals and the Other Regulatory Approvals, the efforts required by the covenants regarding regulatory approvals), to, as applicable, prevent, appeal or overturn such Law or otherwise have it lifted or rendered non-applicable in respect of the Arrangement; or

(iii) the Effective Time does not occur on or prior to the Outside Date, provided that a Party may not terminate the Arrangement Agreement for this reason if the failure of the Effective Time to so occur has been caused by, or is a result of, a breach by such Party of any of its representations or warranties or the failure of such Party to perform any of its covenants or agreements under the Arrangement Agreement.

(c) the Corporation if:

(i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Purchaser under the Arrangement Agreement occurs that would cause any condition relating to its representations and warranties or covenants

not to be satisfied, and such breach or failure is incapable of being cured or is not cured in accordance with the terms of the Arrangement Agreement, provided that the Corporation is not then in breach under the terms of the Arrangement Agreement so as to directly or indirectly cause any condition related to its representations and warranties or covenants not to be satisfied; or

(ii) prior to obtaining the Required Shareholder Approval, the Board authorizes the Corporation, in accordance with and subject to the terms and conditions of the Arrangement Agreement, to enter into a written agreement (other than a confidentiality and standstill agreement permitted by and in accordance with the terms of the Arrangement Agreement) with respect to a Superior Proposal, provided that the Corporation is then in compliance with the covenants regarding non-solicitation in the Arrangement Agreement and that prior to or concurrent with such termination the Corporation pays the Termination Fee.

(d) the Purchaser if:

(i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Corporation under the Arrangement Agreement occurs that would cause any condition relating to its representations and warranties or covenants not to be satisfied, and such breach or failure is incapable of being cured or is not cured in accordance with the terms of the Arrangement Agreement, provided that the Purchaser is not then in breach under the terms of the Arrangement Agreement so as to directly or indirectly cause any condition related to its representations and warranties or covenants not to be satisfied;

(ii) prior to obtaining the Required Shareholder Approval, (A) the Board or any committee of the Board fails to unanimously recommend or withdraws, amends, modifies or in a manner adverse to the Purchaser, qualifies, or publicly proposes or states an intention to withdraw, amend, modify or, in a manner adverse to the Purchaser, qualify, the Board Recommendation (including for greater certainty, in connection with an Intervening Event), (B) the Board or any committee of the Board accepts, approves, endorses or recommends, or publicly proposes to accept, approve, endorse or recommend an Acquisition Proposal or a transaction contemplated in the Corporation Disclosure Letter or takes no position or remains neutral with respect to a publicly announced, or otherwise publicly disclosed, Acquisition Proposal or transaction contemplated in the Corporation Disclosure Letter or an Intervening Event for more than five (5) Business Days (or beyond the third (3rd) Business Day prior to the date of the Meeting, if sooner), (C) the Board or any committee of the Board fails to publicly recommend or reaffirm by press release the Board Recommendation within five (5) Business Days after having been requested in writing by the Purchaser to do so (or in the event that the Meeting is scheduled to occur within such five (5) Business Day period, prior to the Business Day prior to the date of the Meeting) (in each of the cases set forth in (A), (B) or (C) above, a "Change in Recommendation"), (D) the Board or any committee of the Board accepts, approves, endorses, recommends or authorizes the Corporation to enter into a written agreement (other than a confidentiality and standstill agreement permitted by the covenants of the Arrangement Agreement regarding responses to Acquisition Proposals)

concerning a Superior Proposal or an Intervening Event or (E) the Corporation breaches any of the covenants regarding non-solicitation of the Arrangement Agreement in any material respect; or

(iii) there has occurred a Material Adverse Effect.

Termination Fees

- Corporation Termination Fee

Further to the occurrence of any of the following events (each a "Termination Fee Event"), the Corporation shall pay the Purchaser a termination fee in the amount of $10,000,000, or in the case of a termination under the circumstances set forth in (b) or (c) below in connection with an Intervening Event, $30,000,000 (the "Termination Fee"):

(a) termination of the Arrangement Agreement by the Corporation in order to enter into a Superior Proposal in the circumstances permitted by the Arrangement Agreement;

(b) termination of the Arrangement Agreement by the Purchaser following a Change in Recommendation or Superior Proposal;

(c) termination of the Arrangement Agreement by any Party pursuant to any termination event described above under "Termination", provided that at such time the Purchaser is entitled to terminate the Arrangement Agreement pursuant to a Change in Recommendation or Superior Proposal; or

(d) (A) termination of the Arrangement Agreement by the Corporation or the Purchaser pursuant to their right to termination of the Arrangement Agreement described above if the Required Shareholder Approval is not obtained or if the Effective Time does not occur on or prior to the Outside Date, or (B) termination of the Arrangement Agreement by the Purchaser pursuant to its right described above to terminate the Arrangement Agreement in the context of a breach of a representation or warranty or failure to perform any covenant or agreement on the part of the Corporation (due to a Willful Breach or fraud) if, in either of the cases set forth in (A) or (B) of this paragraph:

(i) prior to such termination, an Acquisition Proposal is made or publicly announced or otherwise publicly disclosed by any Person other than the Purchaser or any of its affiliates); and

(ii) within twelve (12) months following the date of such termination, (A) an Acquisition Proposal (whether or not such Acquisition Proposal is the same Acquisition Proposal referred to in (i) above) is consummated or effected, or (B) the Corporation and/or any of its Subsidiaries, directly or indirectly, in one or more transactions, enters into a contract (other than a confidentiality and standstill agreement permitted by and in accordance with the Arrangement Agreement), in respect of an Acquisition Proposal (whether or not such Acquisition Proposal is the same Acquisition Proposal referred to in (i) above) and such Acquisition Proposal is later consummated (whether or not within twelve (12) months after such termination).

For the purpose of the foregoing, the term "Acquisition Proposal" has the meaning assigned to such term in the "*Glossary of Terms*" of the present Circular, except that references to "20% or more" shall be deemed to be references to "50% or more".

- Purchaser Reverse Termination Fee

Further to the occurrence of any of the following events (each a "Reverse Termination Fee Event"), the Purchaser shall pay the Corporation a termination fee in the amount of (i) $10,000,000 if any Key Regulatory Approval that has not been made, given or obtained at the time of the Reverse Termination Fee Event could not have been made, given or obtained under the circumstances set forth in the Arrangement Agreement, and (ii) $30,000,000 in all other circumstances (the "Reverse Termination Fee"):

(a) termination of the Arrangement Agreement by the Corporation or the Purchaser pursuant to its right to terminate if there is a Law in effect making the Arrangement illegal if (i) the termination results from a Law related to one or more of the Key Regulatory Approvals, and (ii) the enactment, making, enforcement or amendment of such Law has not been caused by, or is not a result of, a breach by the Corporation of any of its representations or warranties or the failure of the Corporation to perform any of its covenants or agreements relating to the Key Regulatory Approvals; or

(b) termination of the Arrangement Agreement by the Corporation or the Purchaser if the Effective Time does not occur on or prior to the Outside Date, if, as of the time of termination, (i) the condition regarding the obtaining of the Key Regulatory Approvals is not satisfied (unless the failure of such condition to be satisfied has been caused by, or is a result of, a breach by the Corporation of any of its representations or warranties or the failure of the Corporation to perform any of its covenants or agreements under the Arrangement Agreement), and (ii) all of the other mutual conditions precedent and the additional conditions precedent to the obligations of the Purchaser have been satisfied or waived by the Purchaser other than (A) the conditions in the Arrangement Agreement that there be no Law in effect making the Arrangement illegal (only insofar as the Law creating such illegality is related to one or more of the Key Regulatory Approvals) and the condition that there be no proceeding against the Arrangement (only insofar as the proceeding is related to the Key Regulatory Approvals), and (B) those conditions that by their terms are to be satisfied at the Effective Time and that are capable of being satisfied.

- Outside Date

The Outside Date provided in the Arrangement Agreement is February 15, 2021.

Expenses

Except as specifically otherwise provided for in the Arrangement Agreement, all out-of-pocket third party transaction expenses incurred in connection with the Arrangement, the Arrangement Agreement and the transactions contemplated thereby, including all costs, expenses and fees of the Corporation incurred prior to or after the Effective Date in connection with, or incidental to, the Plan of Arrangement, shall be paid by the Party incurring such expenses, whether or not the Arrangement is consummated.

Injunctive Relief, Specific Performance and Remedies

The Parties are entitled to injunctive and other equitable relief to prevent breaches or threatened breaches of the Arrangement Agreement and to enforce compliance with the specific terms of the Arrangement Agreement, this, subject to the paragraph that follows, being in addition to any other remedy to which the Parties may be entitled at law or in equity.

In the event the Termination Fee or the Reverse Termination Fee, as applicable, is paid in full to the applicable Party or as such Party directs, no other amounts will be due and payable as damages or otherwise by the Party making such payment, and the Party to whom such payment is made accepts that such payment is its sole and exclusive remedy in connection with the Arrangement Agreement (and the termination thereof), the transactions contemplated by the Arrangement Agreement or any matter forming the basis for such termination and is the maximum aggregate amount that the Party making such payments shall be required to pay to it in lieu of any damages or any other payments or remedy which the Party to whom such payment is made may be entitled to in connection with the Arrangement Agreement (and the termination thereof), the transactions contemplated by the Arrangement Agreement or any matter forming the basis for such termination provided, however, that this limitation shall not apply (a) to any payments required to be made following a termination, which payments were incurred as a result of a Pre-Acquisition Reorganization, and (b) in the event of fraud or a Willful Breach by the Party making such payments or any of its Subsidiaries of its representations, warranties, covenants or agreements set forth in the Arrangement Agreement (which breach and liability therefore shall not be affected by termination of the Arrangement Agreement or any payment of the Termination Fee or the Reverse Termination Fee, as applicable). A Party to whom the Termination Fee or the Reverse Termination Fee, as applicable, is paid in full in the manner provided in the Arrangement Agreement shall not be entitled to bring or maintain any proceedings (including any proceedings to obtain an Order for specific performance) in connection with the Arrangement Agreement (and the termination hereof), the Arrangement or any of the other transactions contemplated thereby against the other Party.

Amendment

The Arrangement Agreement and the Plan of Arrangement may, at any time and from time to time before or after the holding of the Meeting but not later than the Effective Time, be amended by mutual written agreement of the Parties and any such amendment may, without limitation:

(a) change the time for performance of any of the obligations or acts of the Parties;

(b) waive any inaccuracy or modify any representation or warranty contained in the Arrangement Agreement or in any document delivered pursuant to the Arrangement Agreement;

(c) waive compliance with or modify any of the covenants contained in the Arrangement Agreement and waive or modify performance of any of the obligations of the Parties; and

(d) waive compliance with or modify any mutual conditions contained in the Arrangement Agreement.

Governing Law

The Arrangement Agreement is governed by and interpreted and enforced in accordance with the laws of the Province of Québec and the federal laws of Canada applicable therein. Under the Arrangement

Agreement, each Party irrevocably attorned and submitted to the non-exclusive jurisdiction of the Québec courts situated in the City of Montréal and waived objection to the venue of any proceeding in such court or that such court provides an inconvenient forum.

CERTAIN LEGAL MATTERS

Implementation of the Arrangement and Timing

The Arrangement will be implemented by way of a Court-approved plan of arrangement under the CBCA pursuant to the terms of the Arrangement Agreement. The following procedural steps must be taken in order for the Arrangement to become effective: (a) the Required Shareholder Approval must be obtained; (b) the Court must grant the Final Order approving the Arrangement; (c) all other conditions precedent to the Arrangement set forth in the Arrangement Agreement, including the receipt of the Key Regulatory Approvals, must be satisfied or waived by the appropriate party; and (d) the Final Order and Articles of Arrangement in the form prescribed by the CBCA must be filed with the Director.

Except as otherwise provided in the Arrangement Agreement, Transat will file the Articles of Arrangement with the Director as soon as reasonably practicable (and in any event not later than five (5) Business Days) after the satisfaction or, where permitted, waiver of the conditions set forth in the Arrangement Agreement (other than those which, by their nature, are only capable of being satisfied as of the Effective Time) unless another time or date is agreed to in writing by the Purchaser and Transat.

It is currently anticipated that the Arrangement will be completed in late January or early February 2021. However, completion of the Arrangement is dependent on many factors and it is not possible at this time to determine precisely when or if the Arrangement will become effective. See "Risk Factors". As provided under the Arrangement Agreement, the Arrangement cannot be completed later than the Outside Date without triggering termination rights under the Arrangement Agreement. See "Arrangement Agreement - Termination Fees - Outside Date".

Court Approval and Completion of the Arrangement

- Interim Order

The Arrangement requires approval by the Court under Section 192 of the CBCA. Prior to the mailing of this Circular, Transat obtained the Interim Order providing for the calling and holding of a virtual-only Meeting and other procedural matters, including, but not limited to: (a) the Required Shareholder Approval, (b) the Dissent Right to Registered Shareholders, (c) the notice requirements with respect to the presentation of the application to the Court for the Final Order, (d) the ability of Transat to adjourn or postpone the Meeting from time to time in accordance with the terms of the Arrangement Agreement without the need for additional approval of the Court, and (e) unless required by Law or the Court, that the Record Date for the Shareholders entitled to notice of and to vote at the Meeting will not change in respect or as a consequence of any adjournment(s) or postponement(s) of the Meeting. A copy of the Interim Order is attached as Schedule E to this Circular.

- Final Order

Subject to the terms of the Arrangement Agreement, following the approval of the Arrangement Resolution by Shareholders, the hearing in respect of the Final Order is currently expected to take place on December 18, 2020 before the Superior Court of Québec (Commercial Division), sitting in the District

of Montréal, virtually in room 16.04, of the Montréal Courthouse (or in such other room or in a virtual hearing, as the Court may determine), located at 1, Notre-Dame Street East, Montréal, Québec, H2Y 1B7 (the "Final Hearing"). A copy of the Notice of Presentation for the Final Order is set forth in Schedule F to this Circular. Any Shareholder who wishes to appear and be heard at the Final Hearing must file an answer (notice of appearance) with the Court's registry and serve same on Transat's counsel c/o Mtre Alain Riendeau & Mtre Brandon Farber, Fasken Martineau DuMoulin LLP, Stock Exchange Tower, 800 Place Victoria, Suite 3500, Montréal, Québec H4Z 1E9, email: ariendeau@fasken.com & bfarber@fasken.com and on Purchaser's counsel, c/o Mtre Stéphanie Lapierre, Stikeman Elliott LLP, 1155 René-Lévesque Boul. W., 41st floor, Montréal, Québec H3B 3V2, email: slapierre@stikeman.com, no later than 4:30 p.m. (Montréal time) on December 15, 2020. If such an answer (notice of appearance) is with a view to contesting the application for a Final Order, such answer (notice of appearance) must provide a summary of the grounds of contestation and be served on the Transat's counsel and on Purchaser's counsel (at the above addresses or email addresses), no later than 4:30 p.m. on December 16, 2020. All persons that file an answer in accordance with the procedure set forth in the Notice of Presentation (attached as Schedule F) shall also be provided with the coordinates to attend the hearing virtually via Microsoft Teams, telephone or videoconference.

At the Final Hearing, the Court will consider, among other things, the fairness of the Arrangement. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit. In the event that the Final Hearing is postponed, adjourned or rescheduled then, subject to any further order of the Court, only those persons having previously served a notice of appearance in compliance with the Notice of Presentation and the Interim Order will be given notice of the postponement, adjournment or rescheduled date.

Regulatory Matters

Completion of the Arrangement is conditional on the Key Regulatory Approvals. The process to obtain the Key Regulatory Approvals began in connection with the 2019 Arrangement Agreement. The procedures relating to the 2019 Arrangement Agreement continue to apply, and are being continued for the purposes of obtaining the Key Regulatory Approvals under the revised Arrangement.

References in this section to notifications, determinations or decisions made in respect of the "Arrangement" prior to October 9, 2020 should read as applicable to the revised Arrangement.

- Competition Act Approval

Part IX of the Competition Act requires that the Commissioner be notified of certain classes of transactions that exceed the thresholds set out in Sections 109 and 110 of the said Act ("Notifiable Transactions") by the parties to the transaction.

Subject to certain limited exceptions, the parties to a Notifiable Transaction cannot complete the transaction until they have submitted the information prescribed pursuant to Subsection 114(1) of the Competition Act to the Commissioner and the applicable waiting period has expired or been terminated by the Commissioner. The waiting period is 30 calendar days after the day on which the parties to the transaction submit the prescribed information, provided that, before the expiry of this period, the Commissioner has not notified the parties that he requires additional information that is relevant to the Commissioner's assessment of the transaction pursuant to Subsection 114(2) of the Competition Act (a "Supplementary Information Request"). In the event that the Commissioner provides the parties with

a Supplementary Information Request, the parties cannot complete their transaction until 30 calendar days after compliance with such Supplementary Information Request, provided that there is no order in effect prohibiting completion at the relevant time. A transaction may be completed before the end of the applicable waiting period if the Commissioner notifies the parties that he does not, at such time, intend to challenge the transaction by making an application under Section 92 of the Competition Act.

Alternatively, or in addition to filing the prescribed information, a party to a Notifiable Transaction may apply to the Commissioner for an advance ruling certificate (an "ARC") or a "no-action" letter, which may be issued by the Commissioner in respect of a proposed transaction if he is satisfied that there are not sufficient grounds on which to apply to the Competition Tribunal for an order challenging the transaction under Section 92 of the Competition Act.

At any time before a "merger" (as such term is defined under the Competition Act) is completed, even where the Commissioner has been notified under Subsection 114(1) of the Competition Act and the applicable waiting period has expired, the Commissioner may apply to the Competition Tribunal for an interim order under Subsection 100(1) of the Competition Act forbidding any person named in the application from doing any act or thing where it appears to the Competition Tribunal that such act or thing may constitute or be directed toward the completion or implementation of a proposed merger. The Competition Tribunal may issue such order for up to 30 calendar days where (a) the Commissioner has certified that an inquiry is being made under paragraph 10(1) (b) of the Competition Act and that, in his opinion, more time is required to complete the inquiry, and (b) the Competition Tribunal finds that, in the absence of an interim order, a party to the proposed merger or any other person is likely to take an action that would substantially impair the ability of the Competition Tribunal to remedy the effect of the proposed merger on competition under Section 92 of the Competition Act because that action would be difficult to reverse. The duration of such interim order may be extended for an additional period of up to 30 calendar days where the Competition Tribunal finds, on application made by the Commissioner, that the Commissioner is unable to complete the inquiry within the period specified in the order because of circumstances beyond the control of the Commissioner.

Whether or not a merger is subject to notification under Part IX of the Competition Act, the Commissioner can apply to the Competition Tribunal for a remedial order under Section 92 of the Competition Act at any time before the merger has been completed or, if completed, within one year after it was substantially completed, provided that the Commissioner did not issue an ARC in respect of the merger, or, if the Commissioner did issue an ARC in respect of the merger, provided that (a) the merger was completed more than one year from when the ARC was issued or (b) the merger was completed within one year from when the ARC was issued and the grounds upon which the Commissioner intends to apply to the Competition Tribunal for a remedial order are not the same or substantially the same as the information on the basis of which the ARC was issued. In conjunction with an application under Section 92 of the Competition Act, the Commissioner may also seek any interim order that the Competition Tribunal considers appropriate, having regard to the principles ordinarily considered by superior courts when granting interlocutory or injunctive relief. On application by the Commissioner under Section 92 of the Competition Act, the Competition Tribunal may, where it finds that the merger prevents or lessens, or is likely to prevent or lessen, competition substantially, order that the merger not proceed or, if completed, order its dissolution or the disposition of some of the assets or shares involved in such merger; in addition to, or in lieu thereof, with the consent of the person against whom the order is directed and the Commissioner, the Competition Tribunal can order a person to take any other action. The Competition Tribunal cannot, however, issue a remedial order where it finds that the merger or proposed merger has

brought or is likely to bring about gains in efficiency that will be greater than, and will offset, the effects of any prevention or lessening of competition that will result or is likely to result from the merger and that the gains in efficiency would not likely be attained if the order were made. In addition, under Section 94 of the Competition Act, the Competition Tribunal cannot make an order under Section 92 of the Competition Act in respect of a merger approved under Subsection 53.2(7) of the CT Act.

The transactions contemplated by the Arrangement are a Notifiable Transaction and also constitute a "merger" for the purposes of the Competition Act. The Parties filed notifications pursuant to Subsection 114(1) of the Competition Act with the Commissioner on July 17, 2019. The Parties also submitted a request for an ARC or "no-action" letter to the Commissioner on July 17, 2019.

As noted below in respect of CT Act Approval, on August 26, 2019, the Minister determined that the transaction contemplated by the Arrangement raised issues with respect to the public interest as it relates to national transportation under Section 53.1(4) of the CT Act. As a result, the Commissioner's role is to provide an advisory report to the Minister regarding potential prevention or lessening of competition that may occur as a result of the transaction. Subsection 53.2(2) of the CT Act requires that the Commissioner report to the Minister and the Parties within 150 days (or within the time specified by the Minister should an extension of time be granted) on any concerns regarding potential prevention or lessening of competition that may occur as a result of the transaction. On August 26, 2019, the Minister granted a 100-day extension to the Commissioner to issue his advisory report and to provide input to the Minister. On March 23, 2020, the Minister granted an additional seven-day extension to the Commissioner. On March 27, 2020 the Commissioner issued his advisory report to the Minister. Based upon analysis of facts and information prior to the COVID-19 pandemic, the Commissioner concluded that the transaction proposed under the Arrangement is likely to result in a substantial lessening or prevention of competition in certain markets.

- CT Act Approval

Section 53.1(1)(a) of the CT Act requires that the Minister be notified of a Notifiable Transaction that involves a transportation undertaking (a "CT Transaction"). A CT Transaction is prohibited from closing until the Minister issues an opinion that the CT Transaction does not raise issues with respect to the public interest as it relates to national transportation under Section 53.1(4) of the CT Act, or, if the Minister is of the opinion that the CT Transaction raises issues with respect to the public interest as it relates to national transportation under Section 53.1(5) of the CT Act, the Governor in Council approves the CT Transaction under Section 53.2(7) of the CT Act.

If the Minister is of the opinion that a proposed transaction does not raise issues with respect to the public interest as it relates to national transportation, the Minister is obligated to issue an opinion to this effect under Section 53.1(4) of the CT Act within 42 calendar days after the date on which the notification was submitted to the Minister under the CT Act. If the Minister does not issue an opinion under Section 53.1(4) of the CT Act, the statutory prohibition on closing continues until the issuance of a decision by the Governor in Council, pursuant to which a CT Transaction may either be approved, not approved, or approved subject to such terms and conditions that the Governor in Council considers appropriate.

In connection with the transactions contemplated by the Arrangement, the Parties notified the Minister of the transaction proposed under the Arrangement on July 17, 2019. On August 26, the Minister

determined that the transaction proposed under the Arrangement raised issues with respect to the public interest as it relates to national transportation under Section 53.1(5) of the CT Act and directed Transport Canada to conduct, on his behalf, a public interest review of the transaction.

Pursuant to section 53.1(6) of the CT Act, Transport Canada was required to report to the Minister on its public interest review within 150 days or such longer period that the Minister may allow. On August 26, the Minister granted Transport Canada an additional 100 days to complete its report, such that it was required to report to the Minister on or before May 2, 2020. On May 1, 2020, Transport Canada provided its report to the Minister.

Section 53.2(4) of the CT Act provides that, after receipt of the reports from the Commissioner and Transport Canada, the Minister shall request the parties to the transaction to address with the Minister any concerns that the Minister has in respect of the transaction with regard to the public interest as it relates to national transportation, and with the Commissioner any concerns that the Commissioner has regarding potential prevention or lessening of competition that may occur as a result of the transaction. Section 53.2(5) of the CT Act provides that the parties to the transaction, after conferring with the Commissioner and the Minister regarding any such concerns, shall inform the Minister and the Commissioner of any measures they are prepared to undertake to address their respective concerns. The parties may also propose revisions to the transaction.

If the Governor in Council is satisfied that it is in the public interest to approve the proposed transaction, taking into account any revisions to it proposed by the parties and any measures they are prepared to undertake, the Governor in Council may, on the recommendation of the Minister, approve the transaction and specify any terms and conditions that the Governor in Council considers appropriate. The Governor in Council shall indicate those terms and conditions that relate to potential prevention or lessening of competition and those that relate to the public interest as it relates to national transportation.

There is no time period within which the Governor in Council must reach a decision, and there can be no assurance that the Arrangement will be approved by the Governor in Council prior to the Outside Date.

- Canadian Status Determination

Section 53.1(1)(b) of the CT Act requires that the Canadian Transportation Agency (the “CTA”) be notified of a Notifiable Transaction that involves an air transportation undertaking (a “CTA Transaction”).

It is a condition of Closing that the CTA determines that the CTA Transaction would result in an undertaking that is Canadian as defined in the CT Act. See "Risk Factors – Risks Related to the Arrangement– Conditions Precedent and Required Approvals".

On May 14, 2020 the CTA determined that the transaction proposed under the Arrangement would result in an air transportation undertaking that is Canadian as defined in subsection 55(1) of the CT Act.

- Approval Pursuant to the EU Merger Regulation (139/2004)

Both Transat and the Purchaser conduct business in member states of the EU, where the EU Merger Regulation (139/2004), as amended, and accompanying regulations require notification to and approval by the European Commission of specific mergers or acquisitions involving parties with worldwide sales and individual European Union sales exceeding specified thresholds before these mergers and

acquisitions can be implemented. Because the transaction exceeds the specific EU thresholds, the European Commission will have exclusive jurisdiction over the 28 EU Member States. The antitrust clearance proceedings under the EU Merger Regulation are structured in three stages: Pre-notification contacts, Phase I and Phase II. Pre-notification contacts are important and standard practice for notifications with the European Commission. In the course of pre-notification contacts, a draft of the notification is submitted to the European Commission's case team to ensure that the notification can be considered complete. Following the formal notification to the European Commission, the European Commission has 25 working days following receipt of a complete notification form to issue a decision declaring the merger to be compatible with the common market, either unconditionally or conditionally upon satisfaction of commitments, or to open an in-depth investigation (Phase I). If the European Commission initiates an in-depth investigation, it must issue a final decision as to whether or not the merger is compatible with the common market, either unconditionally or conditionally upon satisfaction of commitments, no later than 90 working days after the initiation of the in-depth investigation (Phase II). These periods may be extended in certain circumstances. It is possible, although the parties consider it unlikely, that any Phase II investigation could result in a prohibition of the Arrangement.

On May 25, 2020, the European Commission decided to open an in-depth investigation (Phase II) with respect to the proposed Arrangement. On September 28, 2020 the Corporation and the Purchaser received a statement of objections to the Arrangement. The Corporation is working with the Purchaser to address the concerns raised by the European Commission in its statement of objections with a view of obtaining the European Commission's approval of the Arrangement. A decision from the European Commission is now expected in early 2021. The further timing of the proceeding or its outcome cannot be predicted.

Canadian Securities Law Matters

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal or business advice to any particular Shareholder. This summary does not include any information regarding securities law considerations for jurisdictions other than Canada. U.S. Shareholders may refer to the section "Certain Legal Matters - U.S. Securities Law Matters" of this Circular. However, Shareholders who reside in a jurisdiction outside of Canada are urged to obtain independent advice in respect of the consequences to them of the Arrangement having regard to their particular circumstances.

- Application of Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions

The Corporation is a reporting issuer (or its equivalent) in all provinces of Canada and, accordingly, is subject to applicable Securities Laws of such provinces, including in Québec, Regulation 61-101 which regulates transactions which raise the potential for conflicts of interest, including issuer bids, insider bids, related party transactions and business combinations.

Regulation 61-101 is intended to regulate certain transactions to ensure equality of treatment among securityholders, generally by requiring enhanced disclosure, approval by a majority of securityholders excluding interested or related parties and, in certain instances, independent valuations and approval and oversight of the transaction by a special committee of independent directors. The protections of Regulation 61-101 generally apply to "business combinations" (as defined in Regulation 61-101) which are transactions that can result in the interests of securityholders being terminated.

Regulation 61-101 provides that, in certain circumstances, where a "related party" (as defined in Regulation 61-101) of an issuer is entitled to receive a "collateral benefit" (as defined in Regulation 61-101) in connection with an arrangement transaction (such as the Arrangement), such transaction may be considered a "business combination" for the purposes of Regulation 61-101 and subject to minority approval requirements. However, the minority approval requirements of Regulation 61-101 do not apply to related parties who have beneficial ownership or control or direction over less than 1% of the issuer's outstanding equity securities at the time the transaction was agreed to and where collateral benefits are disclosed in the information circular. In assessing whether the Arrangement could be considered a "business combination" for the purposes of Regulation 61-101, the Corporation reviewed all benefits or payments which "related parties" of the Corporation (in the case of the Arrangement, the directors of Transat and the Executive Officers) are entitled to receive, directly or indirectly, in connection with the Arrangement, to determine whether any such benefits or payments could constitute a "collateral benefit" (as defined in Regulation 61-101).

A "collateral benefit", as defined under Regulation 61-101, includes any benefit that a "related party" of the Corporation (which includes the directors and Executive Officers of the Corporation) is entitled to receive, directly or indirectly, as a consequence of the Arrangement, including, without limitation, an increase in salary, a lump sum payment, a payment for surrendering securities, or other enhancement in benefits related to past or future services as an employee, director or consultant of the Corporation. However, Regulation 61-101 excludes from the meaning of "collateral benefit" certain benefits to a related party received solely in connection with the "related party's" services as an employee, director or consultant of an issuer or an affiliated entity of the issuer or a successor to the business of the issuer where, among other things, (i) the benefit is not conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to the related party for securities relinquished under the transaction; (ii) the conferring of the benefit is not, by its terms, conditional on the related party supporting the transaction in any manner; (iii) full particulars of the benefit are disclosed in the disclosure document for the transaction; and (iv) either (A) at the time the transaction was agreed to, the related party and its associated entities beneficially own or exercise control or direction over less than 1% of the outstanding Voting Shares, or (B) (x) the "related party" discloses to an independent committee of the issuer the amount of consideration that the "related party" expects it will be beneficially entitled to receive, under the terms of the Arrangement, in exchange for the Voting Shares beneficially owned by the "related party", (y) such independent committee, acting in good faith, determines that the value of the benefit, net of any offsetting costs to the "related party", is less than 5% of the value referred to in (x), and (z) such independent committee's determination is disclosed in the information circular.

If a "related party" receives a "collateral benefit" in connection with the Arrangement, the Arrangement Resolution will require "minority approval" in accordance with Regulation 61-101. If "minority approval" is required, the Arrangement Resolution must be approved by a majority of the votes cast, excluding those votes beneficially owned, or over which control or direction is exercised, by the "related parties" of the Corporation who receive a "collateral benefit" in connection with the Arrangement. This approval is in addition to the requirement that the Arrangement Resolution must be approved by at least 66 2/3% of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class, participating or represented by proxy at the Meeting and entitled to vote.

The various payments and benefits that each of the Executive Officers of Transat and also Shareholders, may receive as a result of the completion of the Arrangement (the "Employment Benefits") may result in such payments being characterized as "collateral benefits" for purposes of Regulation 61-101. See "The

Arrangement — Interests of Certain Persons in the Arrangement". However, these Employment Benefits were not conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to such individuals for securities relinquished under the Arrangement and the conferring of such benefits was not conditional on any of such individuals supporting the Arrangement.

In addition, certain of the directors and Executive Officers of Transat hold restricted Voting Shares, Options, DSUs and PSUs. If the Arrangement is completed, the vesting of all Voting Shares, Options, DSUs and PSUs is to be accelerated and such directors and Executive Officers are to receive cash payments in consideration for the surrender to the Corporation for cancellation of such Options, DSUs and PSUs in accordance with the Arrangement Agreement as well as the Consideration for the restricted Voting Shares. See "The Arrangement — Interests of Certain Persons in the Arrangement" for detailed information regarding the benefits and other payments to be received by such directors and Executive Officers of the Corporation in connection with the Arrangement.

Considering the number of Voting Shares held by each of the directors and Executive Officers and the benefits or payments that they expect to receive pursuant to the Arrangement, including the Employment Benefits if applicable, it has been determined that the aforementioned benefits or payments, except in the case of Jean-Marc Eustache, to the extent that they may constitute "collateral benefits" (as defined in Regulation 61-101), fall within an exception to the definition of collateral benefit for the purposes of Regulation 61-101, since such benefits are received solely in connection with the related parties' services as employees or directors of the Corporation or of any affiliated entities of the Corporation, are not conferred for the purpose, in whole or in part, of increasing the value of the Consideration paid to the related parties for their Voting Shares, and are not conditional on the related parties supporting the Arrangement in any manner, and at the time of the entering into of the Arrangement Agreement, none of the related parties entitled to receive the benefits, aside from Jean-Marc Eustache, exercised control or direction over, or beneficially owned, more than 1% of the outstanding Voting Shares, as calculated in accordance with Regulation 61-101. Accordingly, such benefits, except those received by Mr. Eustache, are not "collateral benefits" for the purposes of Regulation 61-101.

Mr. Eustache beneficially owns more than 1% of the outstanding Class B voting shares. Furthermore, the value of the Employment Benefit to be received by Mr. Eustache, net of any offsetting costs, is more than 5% of the amount of the consideration that Mr. Eustache expects he will be beneficially entitled to receive under the terms of the Arrangement in exchange for the Class B voting shares that he beneficially owns.

Consequently, the Arrangement is a "business combination" under Regulation 61-101 because Jean-Marc Eustache, Chair of the Board, President and Chief Executive Officer and Chair of the Executive Committee of the Corporation, is a "related party" of Transat and may be entitled to receive a "collateral benefit" (as such term is defined in Regulation 61-101) as a consequence of the Arrangement.

Accordingly, all Class B voting shares beneficially owned, or over which control or direction is exercised by Jean-Marc Eustache (i.e. after reasonable enquiry, as at the Record Date, an aggregate of 427,202 Class B voting shares, representing approximately 1.13% of the issued and outstanding Voting Shares, on a non-diluted basis) will be excluded for the purposes of determining whether minority approval of the Arrangement Resolution has been obtained.

Given the relatively few Voting Shares excluded, it is very unlikely that the approval of at least 66 2/3% of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class,

participating or represented by proxy at the Meeting and entitled to vote, will not include the required "minority approval". However, to ensure complete compliance with all voting requirements under applicable Securities Laws, the Required Shareholder Approval for the Arrangement Resolution requires the approval of, among others, a simple majority of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class, participating or represented by proxy at the Meeting and entitled to vote, other than Mr. Jean-Marc Eustache as discussed above.

The Corporation has applied for and received from the applicable Securities Authorities an exemptive relief providing that the outstanding Class A variable voting shares and the outstanding Class B voting shares of the Corporation are to be considered as a single class of shares, voting together, for purposes of the simple majority of the votes cast by Shareholders on the Arrangement Resolution to be obtained in connection with the "minority approval" required per Regulation 61-101, as further described hereinabove.

- Prior Valuations and Prior Offers

Transat is not required to obtain a formal valuation under Regulation 61-101 as no "interested party" (as defined in Regulation 61-101) of the Corporation is, as a consequence of the Arrangement, directly or indirectly, acquiring Transat or its business or combining with the Purchaser and neither the Arrangement nor the transaction contemplated thereunder is a "related party transaction" (as defined in Regulation 61-101) for which Transat would be required to obtain a formal valuation. Furthermore, neither Transat nor any director or Executive Officer of Transat, after reasonably inquiry, has knowledge of any "prior valuation" (as defined in Regulation 61-101) in respect of the Corporation that has been made in the 24 months before the date of this Circular.

- Stock Exchange Delisting and Reporting Issuer Status

Transat expects that the Voting Shares will be delisted from the TSX as promptly as practicable following the Effective Time. It is also expected that Transat will apply to cease to be a reporting issuer in all the provinces of Canada after the Effective Date.

Certain U.S. Securities Law Matters

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal or business advice to any particular Shareholder.

The issuance and distribution of Purchaser Shares under the Arrangement have not been and will not be registered under the U.S. Securities Act. The Purchaser Shares will only be issued and distributed in reliance on the exemption from registration set forth in Section 3(a)(10) of the U.S. Securities Act (and similar exemptions under applicable state securities laws) on the basis of the approval of the Court, which must find, before approving the transaction, that the terms and conditions of the transaction are fair to the Company's Shareholders. Section 3(a)(10) of the U.S. Securities Act exempts from the general requirement of registration under the U.S. Securities Act securities issued in exchange for one or more bona fide outstanding securities, claims or property interests, or partly in such exchange and partly for cash, where the terms and conditions of the issuance and exchange are approved by a court of competent jurisdiction that is expressly authorized by law to grant such approval, after a hearing upon the fairness of such terms and conditions of such issuance and exchange at which all persons to whom the securities will be issued in such exchange have the right to appear and receive timely notice thereof. The Court will

conduct a hearing to determine the fairness of the terms and conditions of the Arrangement, including the proposed issuance of Purchaser Shares in exchange for the Voting Shares. The Court entered the Interim Order on November 10, 2020 and, subject to, among other things, approval of the Arrangement by the Shareholders, a hearing on the fairness of the Plan will be held by the Court on December 18, 2020, or such other date as may be approved by the Court.

All Shareholders are entitled to appear and be heard at the hearing for the Final Order on the terms set out in the Interim Order. See "Court Approval and Completion of the Arrangement – Final Order". The Final Order will constitute the basis for the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof with respect to the Purchaser Shares to be issued and distributed to the Shareholders pursuant to the Arrangement. Prior to the hearing on the Final Order, the Court will be informed that the parties intend to rely on the Final Order, when granted, as the basis for the exemption from the registration requirements of the U.S. Securities Act set forth in Section 3(a)(10) of the U.S. Securities Act with respect to the issuance and distribution of Purchaser Shares under the Arrangement.

Purchaser Shares issuable to any persons within the United States may be resold without restriction under the U.S. Securities Act, except in respect of resales by persons who are "affiliates" of the Corporation at the time of such resale or who have been affiliates of the Corporation within 90 days before the Effective Date. Persons who may be deemed to be "affiliates" (within the meaning of U.S. Securities Laws) of the Corporation generally would include individuals or entities that directly, or indirectly through one or more intermediaries, control, are controlled by, or are under common control with, the Corporation, whether through the ownership of voting securities, by contract or otherwise, and would include executive officers and directors of the Corporation and may include principal shareholders that would be deemed to "control" (within the meaning of U.S. Securities Laws) the Corporation. Any resale of such Purchaser Shares by such an affiliate (or, if applicable, former affiliate) would be subject to the registration requirements of the U.S. Securities Act and applicable state securities laws, absent an available exemption therefrom. Subject to certain limitations, such affiliates (and former affiliates) may resell such Purchaser Shares outside the United States over the TSX without registration under the U.S. Securities Act pursuant to Regulation S under the U.S. Securities Act. Subject to certain limitations, such Purchaser Shares may also be resold in transactions completed in accordance with Rule 144 or another private resale exemption under the U.S. Securities Act, if available. See also "Notice to Shareholders in the United States".

The foregoing discussion is only a general overview of certain requirements of the U.S. Securities Laws applicable to the Purchaser Shares. All Shareholders are urged to consult with counsel to ensure that the resale or other transfer of their securities complies with applicable securities laws.

RISK FACTORS

The following risk factors should be carefully considered by Shareholders in evaluating the approval of the Arrangement Resolution:

Risks Relating to Transat

If the Arrangement is not completed, Transat will continue to face the risks that it currently faces with respect to its affairs, business and operations and future prospects. Such risk factors are set forth and described in Transat's Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended October 31, 2019 and in Transat's Management's Discussion and Analysis

of Financial Condition and Results of Operations for the period ended July 31, 2020, which has been filed on SEDAR at www.sedar.com.

Risks Relating to Air Canada

The business and operations of Air Canada are subject to risks. In addition to considering the other information in this Circular, Transat Shareholders should consider carefully the risk factors set forth in section 20 entitled "Risk Factors" in the Air Canada Annual MD&A and section 14 entitled "Risk Factors" in the Air Canada Interim MD&A, which sections (and documents as a whole) are incorporated into this Circular by reference, as well as the risk factors and other disclosures set forth in other documents incorporated by reference in this Circular and/or filed by Air Canada under its issuer profile on SEDAR at www.sedar.com.

- *Risks Relating to Air Canada following completion of the Arrangement*

Following completion of the Arrangement, in addition to other risks, Air Canada will also be impacted by risks facing and relating to Transat.

- *Possible Failure to Realize Anticipated Benefits of the Arrangement*

Air Canada is proposing to complete the Arrangement to, among other things, create the opportunity to realize certain benefits and synergies. Achieving the benefits and synergies of the Arrangement depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as Air Canada's ability to realize the anticipated growth opportunities and synergies from combining the Transat businesses and operations with those of Air Canada. The consummation of the Arrangement and the integration require the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The consummation of the Arrangement and the integration process may lead to greater than expected operational challenges and costs, expenses, liabilities, customer loss and business disruption for Air Canada (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) and, consequently, the failure to realize, in whole or in part, the anticipated benefits of the Arrangement.

- *Market Price and Volatility of Air Canada Shares*

There can be no assurance that an active market price for the Air Canada Shares issued in connection with the Share Consideration will be sustained after Closing. The price of Air Canada's securities could be significantly affected by a variety of factors, including, without limitation and in no particular order:

- the market reaction to the COVID-19 pandemic and its impact on Air Canada, including as a result of travel demand, government restrictions, concerns about travel due to the COVID-19 virus and passenger expectations about the need for certain precautions, such as physical distancing;

- actual or anticipated fluctuations in Air Canada's quarterly or annual earnings or those of other companies in its industry;

- changes in estimates of Air Canada's future earnings by Air Canada or securities research analysts;

- changes in general conditions in Canada and the global economy, financial markets or airline industry, including those resulting from changes in fuel prices or fuel shortages, war, incidents of terrorism, other pandemics or responses to such events;

- acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving Air Canada or its competitors; and

- the other risks described or referred to herein or described in the disclosure documents of Air Canada incorporated by reference herein.

This volatility may affect the ability of holders of Air Canada Shares to sell such shares at an advantageous price, or at all.

Additionally, in recent periods, the stock market has experienced extreme declines and volatility. This volatility has had a significant negative impact on the market price of securities issued by many companies, including Air Canada and other companies in its industry. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, Air Canada's operations could be adversely impacted and the trading price of the Air Canada Shares may be adversely affected.

Further, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of Air Canada's performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in Air Canada Shares by those institutions, which could adversely affect the trading price of the Air Canada Shares.

- *Dilutive Effects on Holders of Air Canada Shares*

The issuance of Air Canada Shares in connection with the Share Consideration will have a dilutive effect on the holders of Air Canada Shares. Pursuant to its articles of amalgamation, as amended, Air Canada is authorized to issue an unlimited number of Air Canada Shares. If Air Canada raises additional funding by issuing additional equity securities, or issues equity-linked securities for any reason, such financing or other issuance may substantially dilute the interests of shareholders of Air Canada, and could adversely affect the market price of the Air Canada Shares. In addition, any issuance of Air Canada Shares, or the perception that Air Canada could issue Air Canada Shares, could adversely affect the market prices of the Air Canada Shares.

Risks Related to the Arrangement

- Conditions Precedent and Required Approvals

There can be no certainty, nor can Transat provide any assurance, that all conditions precedent to the Arrangement will be satisfied or waived, nor can there be any certainty of the timing of their satisfaction or waiver. Failure to complete the Arrangement could materially negatively impact the trading price of the Voting Shares.

The completion of the Arrangement is subject to a number of conditions precedent, some of which are outside Transat's control, including receipt of the Final Order and receipt of the Key Regulatory Approvals. Other conditions precedent which are outside of Transat's control include, without limitation, the receipt of the Required Shareholder Approval, holders of no more than 10% of the issued and outstanding Voting Shares having exercised Dissent Rights and the receipt of the Other Regulatory Approvals.

Concerning the Key Regulatory Approvals, the Competition Bureau released on March 27, 2020 its advisory report to the Minister further to the Minister's determination that the proposed Arrangement raises issues with respect to the public interest. The European Commission released on September 28, 2020 a statement of objections to the Arrangement.

The Corporation is working with the Purchaser to address the concerns raised by the Canadian and European agencies with a view of obtaining their approval of the Arrangement, including with respect to remedies that may be proposed by the Purchaser to address such concerns. However, the decision to propose or agree to any remedies remains with the Purchaser and will depend on the impact such remedies may have on the financial position, operations and business prospects of the Purchaser. If the Purchaser does not come to an agreement with the regulatory authorities and obtain the Key Regulatory Approvals before the Outside Date, the Arrangement Agreement may be terminated in accordance with its terms with the payment by the Purchaser of the Reverse Termination Fee (provided the other conditions required for such payment are otherwise met, including that all other conditions precedent to Closing have been complied with).

The process to obtain the Key Regulatory Approvals is complicated by the COVID-19 pandemic and the impact it is having on the international commercial aviation market. The market conditions of the global industry have been completely transformed. Among other things, the vast majority of North American, European and international air carriers have requested financial assistance measures, but have had to implement reductions in capacity (as the Corporation did). This context could impact the obtaining of the Key Regulatory Approvals, especially regarding the appropriate package of remedies aimed at obtaining those approvals.

The revised Arrangement Agreement also contains a new closing condition that Transat's level of Net Indebtedness not exceed a certain specified threshold (the Net Indebtedness Condition). Many factors could impact the level of Net Indebtedness during the period leading up to the Effective Time, and there can be no certainty that Transat will comply with the requisite threshold as of the Effective Time.

There are no assurances that the transaction will be completed on the terms and conditions described herein or at all. If the transaction proposed under the Arrangement is not completed for any reason, there is a risk that Transat's lenders, lessors, credit card processors, clients and other trade partners become more preoccupied by Transat's financial position, prospects and ability to execute its strategic plan as a going concern, which could result in more onerous credit terms, repayment obligations, an inability to refinance maturing indebtedness or find new sources of financing, restricted access to goods and services, and/or reduced business, all of which could significantly and adversely affect Transat's cash flows and ability to continue as a going concern.

In addition, failure to complete the transaction proposed under the Arrangement for any reason could materially negatively impact the market price of the Corporation's securities. If the transaction proposed under the Arrangement is not completed for any reason, there can be no assurance that management

will be successful in its efforts to identify and implement other strategic alternatives that would be in the best interests of the Corporation and its stakeholders within the context of existing economic, market, regulatory and competitive conditions in the industries in which the Corporation operates, on favourable terms and timing or at all, and, if implemented, that such actions would have the intended results. We also have incurred significant transaction and related costs in connection with the transaction proposed under the Arrangement, and additional significant or unanticipated costs may be incurred.

- Restrictive Covenants of the Corporation until the Effective Time and Uncertainty may adversely affect the Corporation's business

Since having entered into the 2019 Arrangement Agreement, the Corporation has been subject to certain restrictive covenants which have been maintained or enhanced under the revised Arrangement Agreement as described herein, including with respect to investments relating to its hotel strategy. These restrictions have prevented and may continue to prevent the Corporation from pursuing other business opportunities. Moreover, the uncertainty regarding the satisfaction of all required conditions, including the Key Regulatory Approvals, may bring clients and suppliers to delay or defer decisions concerning their business with the Corporation which may adversely affect the business and operations of the Corporation, regardless of whether the Arrangement is ultimately completed. Similarly, this uncertainty may adversely affect the Corporation's ability to attract or retain key personnel. Given the length of time lapsed since the 2019 Arrangement Agreement was entered into and the length of time anticipated before the Key Regulatory Approvals are obtained, and the risks that such approvals may not be obtained, a termination of the Arrangement Agreement could materially and adversely affect the business of the Corporation and its ability to carry out its strategic plan.

Moreover, although the Corporation has been able to put in place the Subordinated Loan Facility and amendments to its senior loan facility, such arrangements are for a limited duration and will need to be replaced if the Arrangement is not consummated on or before the Outside Date. In particular, the Subordinated Loan Facility matures on the earlier of March 31, 2021 and the closing of the Arrangement. Furthermore, the suspension of the application of financial ratios under the Corporation's senior loan facility and the Subordinated Loan Facility expires on January 31, 2021, after which time, absent any extension, the Corporation could be in default of its obligations and the term of its borrowings could be accelerated. Pursuant to the terms of the Arrangement Agreement, the Corporation's ability to put in place new sources of financing is restricted and requires the Purchaser's consent. As a result, if the requisite Shareholder and regulatory approvals are not obtained and the Arrangement is not consummated on or prior to the Outside Date, the Corporation will need to address the challenges posed by its cash position and the maturing lending facilities. If the Corporation is not able to renew maturing facilities at acceptable conditions or find financing alternatives, its financial position and business prospects could be materially and adversely affected.

- Termination in Certain Circumstances, including if the Arrangement Resolution is not approved by the Shareholders, and Termination Fee

Each of Transat and the Purchaser has the right, in certain circumstances, including if the Arrangement Resolution is not approved by shareholders, in addition to termination rights relating to the failure to satisfy the conditions of closing, to terminate the Arrangement Agreement. Accordingly, there can be no certainty, nor can Transat provide any assurance, that the Arrangement Agreement will not be terminated by either of Transat or the Purchaser prior to the completion of the Arrangement. Transat's business,

financial condition or results of operations could also be subject to various material adverse consequences, including that Transat would remain liable for significant costs relating to the Arrangement including, among others, financial advisory, legal, accounting and printing expenses. Under the Arrangement Agreement, Transat is required to pay to the Purchaser the Termination Fee in the event the Arrangement Agreement is terminated following the occurrence of a Termination Fee Event and the Purchaser is required to pay to Transat the Reverse Termination Fee in the event the Arrangement Agreement is terminated following the occurrence of a Reverse Termination Fee Event. See "Arrangement Agreement - Termination Fees".

Moreover, although the Corporation has been able to put in place the Subordinated Loan Facility and amendments to its senior loan facility, such arrangements are for a limited duration and will need to be replaced if the Arrangement is not consummated on or before the Outside Date. In particular, the Subordinated Loan Facility matures on the earlier of March 31, 2021 and the closing of the Arrangement. Furthermore, the suspension of the application of financial ratios under the Corporation's senior loan facility and the Subordinated Loan Facility expires on January 31, 2021, after which time, absent any extension, the Corporation could be in default of its obligations and the term of its borrowings could be accelerated. Pursuant to the terms of the Arrangement Agreement, the Corporation's ability to put in place new sources of financing is restricted and requires the Purchaser's consent. As a result, if the requisite Shareholder and regulatory approvals are not obtained and the Arrangement is not consummated on or prior to the Outside Date, the Corporation will need to address the challenges posed by its cash position and the maturing lending facilities. If the Corporation is not able to renew maturing facilities at acceptable conditions or find financing alternatives, its financial position and business prospects could be materially and adversely affected, and there may be a significant risk as to the viability of the Corporation and its ability to continue operating as a going concern, which could force Transat to proceed with a reorganization of operations that could reduce substantially all of the value of its equity.

Furthermore, if the Arrangement is not approved by Shareholders and otherwise not consummated, there is a risk that Transat's lenders, lessors, credit card processors, clients and other trade partners become more preoccupied by Transat's financial position, prospects and ability to execute its strategic plan as a going concern, which could result in more onerous credit terms, repayment obligations, an inability to refinance maturing indebtedness or find new sources of financing, restricted access to goods and services, and/or reduced business, all of which could significantly and adversely affect Transat's cash flows and ability to continue as a going concern.

In addition, if the Arrangement is not approved by Shareholders or the Arrangement Agreement is otherwise terminated for any reason, the Board cannot provide any assurance that it will be able to find a party willing to pay a price equivalent to the Consideration to be paid under the terms of the Arrangement Agreement. Indeed, as a result of the nature of the Corporation's business and the lack of synergies with the Corporation, it is unlikely that any non-strategic investors (such as private equity investors) would be capable of paying, and be prepared to pay, a higher price to acquire the Corporation given its business model. Moreover, having regard to the regulatory constraints relating to Canadian control under the CT Act facing any potential acquirer, the number of potential acquirers is further limited. Additionally, given current market and economic conditions and the devastating impact of the COVID-19 pandemic on the worldwide airline, travel and tourism industries, the universe of potential acquirers is considered by the Board to be even further limited.

The Board, after examining available alternatives, determined that the new Arrangement, with the implementation of the Financing, is the best prospect currently available for the Corporation's continued viability and the preservation of Shareholder value relative to the alternatives reasonably available to it in the context of the 2019 Arrangement Agreement, and therefore represents the best option for all Transat stakeholders, including Shareholders, employees, creditors, suppliers, customers and partners.

- Occurrence of a Material Adverse Effect

The completion of the Arrangement is subject to the condition that, among other things, on or after October 9, 2020 (the date the Arrangement Agreement was entered into), there shall not have occurred a Material Adverse Effect. Although a Material Adverse Effect excludes certain events, including events in some cases that are beyond the control of Transat, there can be no assurance that a Material Adverse Effect will not occur prior to the Effective Time. If such a Material Adverse Effect occurs and the Purchaser does not waive same or terminates the Arrangement Agreement, the Arrangement would not proceed. See "Arrangement Agreement - Closing Conditions".

- Securityholders Will No Longer Hold an Interest in the Corporation Following the Arrangement

Following the Arrangement, Shareholders will no longer hold any of the Voting Shares or other securities in the Corporation or its affiliates and Shareholders, and Shareholders who elect to receive the Cash Consideration will forego any future increase in value that might result from future growth and the potential achievement of the Corporation's long-term plans.

- Uncertainty Surrounding the Arrangement

As the Arrangement is dependent upon satisfaction of a number of conditions precedent, its completion is uncertain. In response to this uncertainty, Transat's clients may delay or defer decisions concerning Transat. Any delay or deferral of those decisions by clients could adversely affect the business and operations of Transat, regardless of whether the Arrangement is ultimately completed. Similarly, uncertainty may adversely affect Transat's ability to attract or retain key personnel. In the event the Arrangement Agreement is terminated, the Corporation's relationships with customers, suppliers, creditors, landlords, employees and other stakeholders may be adversely affected. Changes in such relationships could adversely affect the business and operations of the Corporation. See "Risks Related to the Arrangement – Conditions Precedent and Required Approvals".

- This Circular does not address any tax considerations of the Arrangement other than certain Canadian federal income tax considerations to Shareholder

The Arrangement may have adverse tax consequences for Shareholders. While this Circular contains a summary of the principal Canadian federal income tax considerations relevant to Shareholders under the heading "Certain Canadian Federal Income Tax Considerations", no tax advice or opinion whatsoever is being provided in this Circular to Shareholders who are resident in jurisdictions other than Canada (including Shareholders that are United States taxpayers). The tax implications of the Arrangement for Shareholders who are resident in jurisdictions other than Canada may be materially different than as set out under the heading "Certain Canadian Federal Income Tax Considerations". Accordingly, Shareholders who are resident in jurisdictions other than Canada (including Shareholders that are United States taxpayers) are urged to consult their own independent tax advisors with respect to the relevant tax

implications of the Arrangement and for advice regarding the specific tax considerations applicable to them, including, without limitation, any associated filing requirements, in such jurisdictions.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Fasken Martineau DuMoulin LLP, legal counsel to Transat, the following is a general summary, as of the date hereof, of the principal Canadian federal income tax consequences under the Tax Act relating to the disposition of Voting Shares under the Arrangement that generally apply to beneficial owners of Voting Shares (i) who, for purposes of the Tax Act, and at all relevant times, hold their Voting Shares, and will hold their Air Canada Shares received pursuant to the Arrangement, as capital property, (ii) deal at arm's length and are not affiliated with the Corporation, the Purchaser or any of their affiliates, (iii) do not, either alone or together with persons with whom they do not deal at arm's length, or do not deal at arm's length with persons who, immediately after the Arrangement, will control (for purposes of the Tax Act) the Purchaser or will beneficially own shares of the capital stock of the Purchaser having a fair market value of more than 50% of the fair market value of all of the outstanding shares of the capital stock of the Purchaser, (iv) who do not file an election under subsection 85(1) or 85(2) of the Tax Act with respect to their Voting Shares, and (v) who have not received their Voting Shares in consideration for the exercise of Options. Persons meeting such requirements are referred to as "Holders" or as a "Holder" herein, and this summary is only for Holders.

The Voting Shares and the Air Canada Shares will generally be considered to be capital property of a Holder for purposes of the Tax Act unless such Voting Shares and Air Canada Shares are held in the course of carrying on a business, or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Holder: (i) that is a "financial institution" for the purposes of the mark-to-market rules in the Tax Act, (ii) an interest in which is or would be a "tax shelter investment" as defined in the Tax Act, (iii) that is a "specified financial institution" as defined in the Tax Act, (iv) that has made or will make a "functional currency" election under section 261 of the Tax Act, (v) that is a foreign affiliate of a taxpayer resident in Canada, (vi) who has entered into or will enter into, with respect to its Voting Shares or Air Canada Shares, a "synthetic disposition arrangement" or a "derivative forward agreement" as these terms are defined in the Tax Act, (vii) that receives dividends on Voting Shares, or will receive dividends on Air Canada Shares, under or as part of a "dividend rental arrangement" as that term is defined in the Tax Act, or (viii) that is generally exempt from taxation under Part I of the Tax Act. Any such Holder should consult its own tax advisors with respect to the disposition of its Voting Shares pursuant to the Arrangement.

This summary is not applicable to holders of Options, and does not describe the Canadian federal income tax consequences of the Arrangement to holders of Options, or of holding, exercising, surrendering for cancellation or otherwise disposing of Options. Holders of Options should consult their own tax advisors having regard to their particular circumstances.

Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation resident in Canada and is (or does not deal at arm's length for the purposes of the Tax Act with a corporation resident in Canada that is), or becomes as part of a transaction or event or series of transactions or events that includes the Arrangement, controlled by a non-resident person or a group of non-resident persons not dealing with each other at arm's length (for purposes of the Tax Act), for the

purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. Such Holders should consult their own tax advisors to determine the particular Canadian federal income tax consequences to them of the Arrangement.

This summary is based on the facts set out in this Circular, the current provisions of the Tax Act and the regulations thereunder in force on the date hereof and counsel's understanding of the published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA") publicly available prior to the date of this Circular. This summary takes into account all proposed amendments to the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments") and assumes that such Proposed Amendments will be enacted in the form proposed. However, no assurance can be given that such Proposed Amendments will be enacted in the form proposed, or at all. Except for the Proposed Amendments, this summary does not take into account or anticipate any other changes in law or any changes in the CRA's administrative policies and assessing practices, whether by judicial, governmental or legislative action or decision, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations, which may differ significantly from the Canadian federal income tax considerations described herein.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal, business or tax advice to any particular Holder. This summary is not exhaustive of all possible Canadian federal income tax consequences applicable to the disposition of the Voting Shares. Holders are urged to consult their own tax advisors for advice regarding the income tax consequences to them of disposing of their Voting Shares under the Arrangement, having regard to their own particular circumstances, and any other consequences to them of such transaction under Canadian federal, provincial, local and foreign tax laws.

In general, for the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of the Voting Shares (including, without limitation, dividends, adjusted cost base and proceeds of disposition) must be expressed in Canadian dollars. Amounts denominated in foreign currency must be converted into Canadian dollars using appropriate exchange rate determined in accordance with the detailed rules contained in the Tax Act in that regard.

Holders Resident in Canada

The following section of the summary applies to a Holder that, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention, is resident or deemed to be resident in Canada (a "Resident Holder").

Certain Resident Holders whose Voting Shares might not otherwise qualify as capital property, may, in certain circumstances, be entitled to make, or may already have made, an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Voting Shares, and all other "Canadian securities" (as defined in the Tax Act) owned by such Resident Holders in the taxation year of the election and in all subsequent taxation years, deemed to be capital property. Any Resident Holder contemplating making a subsection 39(4) election should consult its tax advisors for advice as to whether the election is available or advisable in its particular circumstances.

- Sale of Voting Shares for the Cash Consideration

A Resident Holder who disposes of Voting Shares pursuant to the Arrangement for the Cash Consideration will generally realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Voting Shares immediately before the disposition. The adjusted cost base to a Resident Holder of a Voting Share will be determined by averaging the cost of such share with the adjusted cost base of any other Voting Shares owned by the Resident Holder as capital property at that time.

For this purpose, a Resident Holder's proceeds of disposition will be equal to the Cash Consideration received by the Resident Holder pursuant to the Arrangement.

Generally one-half of any capital gain (a "taxable capital gain") realized by a Resident Holder will be included in the Resident Holder's income for the year of disposition. One-half of any capital loss (an "allowable capital loss") realized by a Resident Holder in a taxation year is required to be deducted by the Resident Holder against taxable capital gains realized in that year (subject to and in accordance with the rules in the Tax Act). Any excess of allowable capital losses over taxable capital gains of the Resident Holder realized in a taxation year may be carried back up to three taxation years or forward indefinitely and deducted against net taxable capital gains realized in such years, to the extent and under the circumstances provided in the Tax Act.

If the Resident Holder is a corporation, the amount of any capital loss arising from a disposition of Voting Shares may be reduced by the amount of dividends received or deemed to have been received by it on the Voting Shares (or on shares for which the Voting Shares have been substituted) to the extent and under the circumstances prescribed by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Voting Shares, or where a trust or partnership of which a corporation is a beneficiary or a member is a member of a partnership or a beneficiary of a trust that owns any such Voting Shares. Resident Holders to which these rules may be relevant should consult their own tax advisors.

- *Dissenting Resident Holders*

For Canadian federal income tax purposes, a Resident Holder that receives payment for its Voting Shares pursuant to the exercise of Dissent Rights will be considered to have disposed of its Voting Shares for proceeds of disposition equal to the amount received by the dissenting Resident Holder (less any interest awarded by a court). As a result, such dissenting Resident Holder will realize a capital gain (or a capital loss) equal to the amount by which the aggregate proceeds of disposition received exceed (or are less than) the aggregate of (i) the adjusted cost base to the dissenting Resident Holder of the Voting Shares immediately before such disposition and (ii) any reasonable costs of disposition. See "Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Sale of Voting Shares for the Cash Consideration".

Interest awarded to a dissenting Resident Holder by the Court will be included in the dissenting Resident Holder's income for the purposes of the Tax Act.

A Resident Holder that exercises Dissent Rights but that is not ultimately determined to be entitled to be paid fair value for the Voting Shares held by such Resident Holder will be deemed to have participated in the Arrangement. In such an event, the income tax consequences as discussed above under the

heading "Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Sale of Voting Shares for the Cash Consideration" will generally apply.

- *Alternative Minimum Tax*

Capital gains realized by a Resident Holder who is an individual (other than certain trusts) may give rise to alternative minimum tax under the Tax Act. Resident Holders are urged to consult their own tax advisors with respect to the potential application of alternative minimum tax.

- *Additional Refundable Tax*

A Resident Holder that is throughout the relevant year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional tax on its "aggregate investment income" (as defined in the Tax Act), including interest and taxable capital gains. Such additional tax may be refundable in certain circumstances. Resident Holders are urged to consult their own tax advisors with respect to this additional tax.

- Sale of Voting Shares for the Share Consideration – Tax-Deferred Rollover

Unless it elects to include in computing its income for the year any portion of the capital gain or capital loss realized on the disposition of its Voting Shares pursuant to the Arrangement, a Resident Holder that exchanges its Voting Shares pursuant to the Arrangement for Air Canada Shares will be deemed to have disposed of its Voting Shares for proceeds of disposition equal to the adjusted cost base of the Voting Shares to such Resident Holder immediately before the Arrangement and the Resident Holder will be deemed to have acquired the Air Canada Shares at a cost equal to such adjusted cost base of the Voting Shares. For this purpose, the adjusted cost base to a Resident Holder of a Voting Share will be determined by averaging the cost of such share with the adjusted cost base of any other Voting Shares owned by the Resident Holder as capital property at that time.

A Resident Holder that disposes of its Voting Shares pursuant to the Arrangement for the Share Consideration and that elects to include in computing its income for the year any portion of the capital gain or capital loss realized on the disposition of its Voting Shares pursuant to the Arrangement will generally realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Voting Shares to the Resident Holder immediately before the disposition. For this purpose, a Resident Holder's proceeds of disposition will be equal to the fair market value of the Share Consideration received by the Resident Holder pursuant to the Arrangement and the cost of acquisition of the Air Canada Shares will also be equal to the fair market value of the Share Consideration. See "Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Sale of Voting Shares for the Cash Consideration".

- *Dividends on Air Canada Shares*

Dividends received or deemed to be received on Air Canada Shares held by a Resident Holder will be included in the Resident Holder's income for the purposes of the Tax Act.

Such dividends received by a Resident Holder that is an individual (other than certain trusts) will be subject to the gross-up and dividend tax credit rules normally applicable under the Tax Act to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend

tax credit in respect of dividends designated by the Purchaser as "eligible dividends" in accordance with the Tax Act. There may be limitations on the ability of the Purchaser to designate dividends as "eligible dividends".

Taxable dividends received or deemed to be received by a Resident Holder that is an individual (other than certain trusts) may result in such Resident Holder being liable for alternative minimum tax under the Tax Act. Resident Holders that are individuals should consult their own tax advisors in this regard.

Dividends received or deemed to be received on Air Canada Shares by a Resident Holder that is a corporation will be included in computing such Resident Holder's income for the taxation year and will generally be deductible in computing its taxable income for that taxation year, subject to all relevant restrictions under the Tax Act. In certain circumstances a dividend received or deemed to be received by a Resident Holder that is a corporation may be deemed to be proceeds of disposition or a capital gain pursuant to subsection 55(2) of the Tax Act. Resident Holders that are corporations should consult their own tax advisors with respect to the application of subsection 55(2) of the Tax Act having regard to their own circumstances.

A Resident Holder that is a "private corporation" or a "subject corporation", each as defined in the Tax Act, may be liable to pay an additional tax under Part IV of the Tax Act on dividends received or deemed to be received on Air Canada Shares to the extent such dividends are deductible in computing the Resident Holder's taxable income. Such additional tax may be refundable in certain circumstances. Resident Holders should consult their own tax advisors in this regard.

- *Disposition of Air Canada Shares*

A disposition or a deemed disposition of an Air Canada Share (other than to the Purchaser unless purchased by the Purchaser in the open market in the manner in which shares are normally purchased by any member of the public in the open market) by a Resident Holder will generally result in a Resident Holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Air Canada Share exceed (or are less than) the aggregate of the adjusted cost base to the Resident Holder thereof and any reasonable costs of disposition. For this purpose, the adjusted cost base to a Resident Holder of an Air Canada Share will be determined at any particular time by averaging the cost of such share with the adjusted cost base of any other Air Canada Shares owned by the Resident Holder as capital property at that time. Such capital gain (or capital loss) will be subject to the treatment described above under "Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Sale of Voting Shares for the Cash Consideration".

Holders Not Resident in Canada

The following section of the summary applies to a Holder that, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention, (i) is not, and is not deemed to be, a resident of Canada, (ii) does not, and is not deemed to, use or hold its Voting Shares in or in the course of carrying on a business in Canada, (iii) is not an insurer who carries on an insurance business or is deemed to carry on an insurance business in Canada and elsewhere and (iv) is not an "authorized foreign bank" (as defined in the Tax Act) (in this section, a "Non-Resident Holder").

- Sale of Voting Shares

A Non-Resident Holder that sells Voting Shares pursuant to the Arrangement for the Cash Consideration or the Share Consideration will not be subject to tax under the Tax Act on any capital gain realized on the sale unless such Voting Shares are, or are deemed to be, "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder at the time of sale and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty.

Generally, a Voting Share will not be taxable Canadian property of a Non-Resident Holder at the time of disposition provided that the particular share is listed on a "designated stock exchange" for the purposes of the Tax Act (which currently includes the TSX), unless at any time during the 60 month period immediately preceding the disposition,

(a) 25% or more of the issued shares of any class of the capital stock of the Corporation were owned by or belonged to any combination of (i) the Non-Resident Holder, (ii) persons with whom the Non-Resident Holder did not deal at arm's length, and (iii) partnerships in which the Non-Resident Holder or a person described in (ii) holds a membership interest directly or indirectly through one or more partnerships; and

(b) more than 50% of the fair market value of the applicable Voting Share was derived, directly or indirectly, from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" (as defined in the Tax Act), "timber resource properties" (as defined in the Tax Act), or options in respect of, or interests in, or for civil law rights in, any such property, whether or not such property exists.

The Board believes that the value threshold in (b) above should not be met and that, as such, the Voting Shares should not constitute "taxable Canadian property". A Voting Share may however be deemed to be "taxable Canadian property" in certain other circumstances. Non-Resident Holders should consult their own tax advisors in this regard.

Even if the Voting Shares are taxable Canadian property to a Non-Resident Holder, a taxable capital gain resulting from the disposition of Voting Shares will not be included in computing the Non-Resident Holder's income for the purposes of the Tax Act if the Voting Shares constitute "treaty-protected property". Voting Shares owned by a Non-Resident Holder will generally be treaty-protected property if the gain from the disposition of such Voting Shares would, because of an applicable income tax treaty or convention, be exempt from tax under the Tax Act. Non-Resident Holders should consult their own tax advisors in this regard.

In the event that Voting Shares constitute taxable Canadian property but not treaty-protected property to a particular Non-Resident Holder, any capital gain that would be realized on the sale of the Voting Shares for the Cash Consideration, or the Share Consideration if the Non-Resident Holder elects to include in computing its income for the year any portion of the capital gain or capital loss realized on the disposition of its Voting Shares pursuant to the Arrangement, will generally be subject to the income tax consequences discussed above for a Resident Holder under the headings "Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Sale of Voting Shares for the Cash Consideration".

- *Dissenting Non-Resident Holders*

A Non-Resident Holder that receives payment for its Voting Shares pursuant to the exercise of Dissent Rights will not be subject to tax under the Tax Act on any capital gain realized on the disposition of its Voting Shares unless such Voting Shares are, or are deemed to be, "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty or convention. The general considerations discussed above under the heading "Certain Canadian Federal Income Tax Considerations– Holders Not Resident in Canada – Sale of Voting Shares" apply in determining whether a capital gain realized on the exercise of Dissent Rights will be subject to tax under the Tax Act.

Any interest paid or credited to a dissenting Non-Resident Holder who deals at arm's length with the Corporation and the Purchaser for purposes of the Tax Act should not be subject to withholding tax under the Tax Act.

- *Dividends on Air Canada Shares*

Dividends paid or credited, or deemed to be paid or credited, on an Air Canada Share to a Non-Resident Holder will generally be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax treaty or convention between Canada and the Non-Resident Holder's country of residence. For example, where the Non-Resident Holder is a resident of the United States that is entitled to full benefits under the *Canada-United States Income Tax Convention (1980)* as amended (the "Treaty"), and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends is generally reduced to 15% (or 5% in the case of a Non-Resident Holder that is a corporation entitled to full benefits under the Treaty beneficially owning at least 10% of the Purchaser's voting shares). Non-Resident Holders should consult their own tax advisors in this regard.

- *Disposition of Air Canada Shares*

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition or deemed disposition of an Air Canada Share unless the Air Canada Share constitutes "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident. In addition, capital losses arising on a disposition or deemed disposition of an Air Canada Share will not be recognized under the Tax Act, unless the Air Canada Share constitute "taxable Canadian property" (as defined in the Tax Act) at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident.

Generally, an Air Canada Share will not be taxable Canadian property of a Non-Resident Holder at the time of disposition provided that the Voting Share for which the Air Canada Share was issued was not a taxable Canadian property and provided that the Air Canada Share is listed on a "designated stock exchange" for the purposes of the Tax Act (which currently includes the TSX), unless at any time during the 60 month period immediately preceding the disposition, 25% or more of the issued shares of any class of the capital stock of the Purchaser were owned by or belonged to any combination of (i) the Non-Resident Holder, (ii) persons with whom the Non-Resident Holder did not deal at arm's length, and

(iii) partnerships in which the Non-Resident Holder or a person described in (ii) holds a membership interest directly or indirectly through one or more partnerships; and more than 50% of the fair market value of the applicable Air Canada Share was derived, directly or indirectly, from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" (as defined in the Tax Act), "timber resource properties" (as defined in the Tax Act), or options in respect of, or interests in, or for civil law rights in, any such property, whether or not such property exists.

In the event that an Air Canada Share constitutes taxable Canadian property of a Non-Resident Holder and any capital gain that would be realized on the disposition thereof is not exempt from tax under the Tax Act or pursuant to an applicable income tax treaty or convention, such capital gain will generally be subject to the income tax consequences discussed above for a Non-Resident Holder under the headings "Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Sale of Voting Shares".

A Non-Resident Holder contemplating a disposition of its Air Canada Shares that may constitute taxable Canadian property should consult its own tax advisors prior to such disposition.

ELIGIBILITY FOR INVESTMENTS

In the opinion of Fasken Martineau DuMoulin LLP, legal counsel to Transat, based on the current provisions of the Tax Act and the regulations thereunder, as amended, and the Proposed Amendments, provided that the Air Canada Shares are listed on a "designated stock exchange" for the purposes of the Tax Act (which currently includes the TSX) on the date of the Arrangement, the Air Canada Shares acquired under the Arrangement will be, as of the date of the Arrangement, "qualified investments" under the Tax Act and the regulations thereunder for trusts governed by a "registered retirement savings plan" ("RRSP"), a "registered retirement income fund" ("RRIF"), a "registered education savings plan" ("RESP"), a "deferred profit sharing plan", a "registered disability savings plan" ("RDSP") or a "tax-free savings account" ("TFSA") (each as defined in the Tax Act).

Notwithstanding that the Air Canada Shares may be "qualified investments" for a trust governed by a RRSP, RRIF, RESP, RDSP or a TFSA, the holder of a RDSP or a TFSA, the annuitant of a RRSP or a RRIF or the subscriber of a RESP, as applicable, will be subject to a penalty tax under the Tax Act with respect to the Air Canada Shares if the Air Canada Shares are "prohibited investments" for the RRSP, RRIF, RESP, RDSP or TFSA. An Air Canada Share will not be a "prohibited investment" for trusts governed by a RRSP, RRIF, RESP, RDSP or a TFSA provided that the holder of the RDSP or TFSA, the annuitant under the RRSP or RRIF or the subscriber of the RESP, as the case may be, deals at arm's length with the Purchaser for purposes of the Tax Act and does not have a "significant interest" (as defined in the Tax Act) in the Purchaser for purposes of the Tax Act. In addition, an Air Canada Share will not be a "prohibited investment" if it is an "excluded property", as defined in the Tax Act, for a trust governed by a RRSP, RRIF, RESP, RDSP or a TFSA. Holders who intend to hold the Air Canada Shares in a RRSP, RRIF, RESP, RDSP or a TFSA should consult their own tax advisors in this regard.

DISSENTING SHAREHOLDERS' RIGHTS

If you are a Registered Shareholder, you are entitled to dissent from the Arrangement Resolution in the manner provided in Section 190 of the CBCA, as modified by the Interim Order and the Plan of Arrangement.

The following description of the Dissent Rights of Shareholders is not a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the "fair value" of his, her or its Voting Shares, as applicable, and is qualified in its entirety by the reference to the full text of the Interim Order which is attached as Schedule E to this Circular, the full text of the Plan of Arrangement which is attached as Schedule B to this Circular and the full text of Section 190 of the CBCA which is attached as Schedule G to this Circular. A Shareholder who intends to exercise Dissent Rights should carefully consider and strictly comply with the provisions of Section 190 of the CBCA, as modified by the Interim Order and the Plan of Arrangement. Failure to strictly comply with the provisions of that section, as modified by the Interim Order and the Plan of Arrangement, and to adhere to the procedures established therein may result in the loss of all rights thereunder. It is suggested that Shareholders wishing to avail themselves of their rights under those provisions seek their own legal advice, as failure to comply strictly with them may prejudice their right of dissent.

The Court hearing the application for the Final Order has the discretion to alter the Dissent Rights described herein based on the evidence presented at such hearing.

Under the Interim Order, a Registered Shareholder who fully complies with the dissent procedures in Section 190 of the CBCA, as modified by the Interim Order and the Plan of Arrangement, is entitled, when the Arrangement becomes effective, to dissent and to be paid the fair value of his, her or its Voting Shares, determined as of the close of business on the last Business Day before the day on which the Arrangement Resolution is adopted. A Registered Shareholder may exercise Dissent Rights only with respect to all of the Voting Shares held by such Shareholder or on behalf of any one beneficial owner and Registered in the Dissenting Shareholder's name.

Persons who are beneficial owners of Voting Shares registered in the name of an Intermediary who wish to dissent, should be aware that only the Registered Shareholder of such Voting Shares is entitled to dissent. Accordingly, a beneficial owner of Voting Shares desiring to exercise Dissent Rights must make arrangements for the Voting Shares beneficially owned by such beneficial owner to be registered in such beneficial owner's name prior to the time the Dissent Notice is required to be received by Transat or, alternatively, make arrangements for the Registered Shareholder of his, her or its Voting Shares to dissent on such beneficial owner's behalf.

A Registered Shareholder wishing to exercise Dissent Rights with respect to the Arrangement must send to Transat a Dissent Notice, which Dissent Notice must be received by Transat at Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montréal, Québec, H2X 4C2, Attention: Bernard Bussières, Vice-President, General Counsel and Corporate Secretary, with a copy to (i) Fasken Martineau DuMoulin LLP, 800 Square-Victoria, Suite 3500, Montréal, Québec, Canada, H4Z 1E9, Attention: Mtre Alain Riendeau & Mtre Brandon Farber, email: ariendeau@fasken.com & bfarber@fasken.com, (ii) Stikeman Elliott LLP, 1155 René-Lévesque Blvd. W., 41st Floor, Montréal Québec, H3B 3V2, Attention: Mtre Stéphanie Lapierre, email: slapierre@stikeman.com, and (iii) AST Trust Company (Canada), 1 Toronto Street, Suite 1200, Toronto, Ontario, M5C 2V6, Attention: Proxy Department, or at 2001 Robert-Bourassa Blvd., Suite 1600, Montréal, Québec, H3A 2A6, Attention: Proxy Department. by no later than 5:00 p.m. (Montréal time) on December 11, 2020 (or 48 hours, excluding Saturdays, Sundays and statutory holidays, prior to the commencement of the reconvened Meeting if the Meeting is adjourned or postponed), and must otherwise strictly comply with the dissent procedures described in this Circular, the Interim Order, the Plan of Arrangement and section 190 of the CBCA, as modified by the Interim Order and the

Plan of Arrangement. No Shareholder who has voted in favour of the Arrangement, while participating at the Meeting or by proxy, shall be entitled to dissent with respect to the Arrangement.

Registered Shareholders who validly exercise Dissent Rights as set out in the CBCA, as modified by the Interim Order and the Plan of Arrangement, will be deemed to have transferred their Voting Shares free and clear of any Liens, as of the Effective Date, and if they: (a) ultimately are entitled to be paid fair value for their Voting Shares will be entitled to be paid the fair value of such Voting Shares which fair value notwithstanding anything to the contrary in Part XV of the CBCA, shall be determined as of the close of business on the last Business Day before the day on which the Arrangement Resolution was adopted, and will not be entitled to any other payment or consideration (including any payment that would be payable under the Arrangement had they not exercised their Dissent Rights), or (b) are ultimately not entitled, for any reason, to be paid fair value for their Voting Shares, will be deemed to have participated in the Arrangement on the same basis as a non-dissenting Shareholder and shall be entitled to receive the Cash Consideration.

The filing of a Dissent Notice does not deprive a Registered Shareholder of the right to vote at the Meeting; however, a Registered Shareholder who has submitted a Dissent Notice and who votes in favour of the Arrangement Resolution will no longer be considered a Dissenting Shareholder with respect to the Voting Shares voted in favour of the Arrangement Resolution. If such Dissenting Shareholder votes in favour of the Arrangement Resolution in respect of a portion of the Voting Shares registered in such Dissenting Shareholder's name or held by same on behalf of any one beneficial owner, such vote approving the Arrangement Resolution will be deemed to apply to the entirety of the Voting Shares held by such Dissenting Shareholder in such Dissenting Shareholder's name or in the name of that beneficial owner, given that section 190 of the CBCA provides there is no right of partial dissent. A vote against the Arrangement Resolution will not constitute a Dissent Notice.

Within 10 days after the approval of the Arrangement Resolution, Transat is required to notify each Dissenting Shareholder that the Arrangement Resolution has been approved. Such notice is not required to be sent to a Registered Shareholder holding Voting Shares who voted for the Arrangement Resolution or who has, or was deemed to have, withdrawn a Dissent Notice previously filed. A Dissenting Shareholder must, within 20 days after the Dissenting Shareholder receives notice that the Arrangement Resolution has been approved or, if the Dissenting Shareholder does not receive such notice, within 20 days after the Dissenting Shareholder learns that the Arrangement Resolution has been approved, send a Demand for Payment containing the Dissenting Shareholder's name and address, the number of Voting Shares held by the Dissenting Shareholder, and a Demand for Payment of the fair value of such Dissent Shares. Within 30 days after sending a Demand for Payment, the Dissenting Shareholder must send to Transat at Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montréal, Québec, H2X 4C2 Attention: Bernard Bussières, Vice-President, General Counsel and Corporate Secretary, with a copy to (i) Fasken Martineau DuMoulin LLP, 800 Square-Victoria, Suite 3500, Montréal, Québec, Canada, H4Z 1E9, Attention: Mtre Alain Riendeau & Mtre Brandon Farber, email: ariendeau@fasken.com & bfarber@fasken.com, and (ii) Stikeman Elliott LLP, 1155 René-Lévesque Blvd. W., 41st Floor, Montréal Québec, H3B 3V2, Attention: Mtre Stéphanie Lapierre, email: slapierre@stikeman.com, the certificate(s) representing the Dissent Shares. A Dissenting Shareholder who fails to send the certificate(s) representing the Dissent Shares has no right to make a claim under section 190 of the CBCA. Transat will endorse on certificate(s) received from a Dissenting Shareholder a notice that the holder is a Dissenting Shareholder under section 190 of the CBCA and will forthwith return the certificate(s) to the Dissenting Shareholder.

On the filing of a Demand for Payment (and in any event upon the Effective Date), a Dissenting Shareholder ceases to have any rights in respect of its Dissent Shares, other than the right to be paid the fair value of its Dissent Shares as determined pursuant to section 190 of the CBCA, as modified by the Interim Order and the Plan of Arrangement, except where, prior to the date at which the Arrangement becomes effective: (i) the Dissenting Shareholder withdraws, or is deemed to have withdrawn, its Demand for Payment before Transat makes an Arrangement to Pay to the Dissenting Shareholder, (ii) an Arrangement to Pay is not made and the Dissenting Shareholder withdraws, or is deemed to have withdrawn, its Demand for Payment, or (iii) the Board revokes the Arrangement Resolution, in which case Transat will reinstate the Dissenting Shareholder's rights in respect of its Dissent Shares as of the date the Demand for Payment was sent. Pursuant to the Plan of Arrangement, in no case will Transat, the Purchaser or any other Person be required to recognize any Dissenting Shareholder as a Shareholder after the Effective Date, and the names of such Shareholders will be deleted from the list of Registered Shareholders at the Effective Date. In addition to any other restrictions under section 190 of the CBCA, none of the following shall be entitled to exercise Dissent Rights: (i) holders of Options, RSUs, PSUs and DSUs, (ii) holders of Voting Shares who vote or have instructed a proxy holder to vote such Voting Shares in favour of the Arrangement Resolution, and (iii) other Shareholders who entered into Support and Voting Agreements.

Dissenting Shareholders who withdraw, or are deemed to withdraw, their Dissent Notice shall be deemed to have participated in the Arrangement, as of the Effective Time, and shall be entitled to receive the Cash Consideration, less any applicable withholdings pursuant to the Plan of Arrangement.

No later than seven days after the later of the Effective Date and the date on which a Demand for Payment of a Dissenting Shareholder is received, each Dissenting Shareholder who has sent a Demand for Payment must be sent a written Arrangement to Pay for its Dissent Shares in an amount considered by the Board to be the fair value thereof, accompanied by a statement showing how the fair value was determined. Every Arrangement to Pay in respect of Voting Shares must be on the same terms.

Payment for the Dissent Shares of a Dissenting Shareholder must be made within 10 days after an Arrangement to Pay has been accepted by a Dissenting Shareholder, but any such Arrangement to Pay lapses if a written acceptance thereof is not received within 30 days after the Arrangement to Pay has been made. If an Arrangement to Pay for the Dissent Shares of a Dissenting Shareholder is not made, or if a Dissenting Shareholder fails to accept an Arrangement to Pay that has been made, an application to the Court to fix a fair value for the Dissent Shares of Dissenting Shareholders may be made by Transat within 50 days after the Effective Date or within such further period as the Court may allow. If no such application is made, a Dissenting Shareholder may apply to the Court for the same purpose within a further period of 20 days or within such further period as the Court may allow. A Dissenting Shareholder is not required to give security for costs in such an application.

Upon an application to the Court, all Dissenting Shareholders whose Dissent Shares have not been purchased will be joined as parties and bound by the decision of the Court, and each affected Dissenting Shareholder shall be notified of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel. Upon any such application to the Court, the Court may determine whether any other Person is a Dissenting Shareholder who should be joined as a party, and the Court will then fix a fair value for the Dissent Shares of all such Dissenting Shareholders. The Final Order of the Court will be rendered against the Purchaser in favour of each Dissenting Shareholder joined as a party and for the amount of the Dissent Shares as fixed by the Court. The Court may, in its discretion,

allow a reasonable rate of interest on the amount payable to each such Dissenting Shareholder from the Effective Date until the date of payment. Any judicial determination of fair value will result in delay of receipt by a Dissenting Shareholder of consideration for such Dissenting Shareholder's Dissent Shares.

The above is only a summary of the provisions of the CBCA pertaining to Dissent Rights, as modified by the Interim Order and the Plan of Arrangement, which are technical and complex. If you are a Shareholder holding Voting Shares and wish to directly or indirectly exercise Dissent Rights, you should seek your own legal advice as failure to strictly comply with the provisions of the CBCA, as modified by the Interim Order and the Plan of Arrangement, may prejudice your Dissent Rights. We urge any Shareholder who is considering dissenting to the Arrangement to consult their own tax advisors with respect to the income tax consequences to them of such action. For a general summary of certain income tax consequences to a Dissenting Shareholder, see: "Certain Canadian Federal Income Tax Considerations - Holders Resident in Canada - Dissenting Resident Holders" and "Certain Canadian Federal Income Tax Considerations - Holders Not Resident in Canada - Dissenting Non-Resident Holders".

DEPOSITARY

AST will act as the Depositary for the receipt of share certificates representing Voting Shares and related Letters of Transmittal and Election Form and the payments and deliveries to be made to Shareholders pursuant to the Arrangement. The Depositary will receive reasonable and customary compensation for its services in connection with the Arrangement, will be reimbursed for certain out-of-pocket expenses and will be indemnified by Transat against certain liabilities under applicable Securities Laws and expenses in connection therewith.

No fee or commission is payable by any Shareholder who transmits its Voting Shares directly to the Depositary. Except as set forth above or elsewhere in this Circular, Transat will not pay any fees or commissions to any broker or dealer or any other person for soliciting deposits of Voting Shares pursuant to the Arrangement.

AUDITOR, TRANSFER AGENT AND REGISTRAR

Ernst & Young LLP is the external auditor of the Corporation at its Montréal office and 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*, and AST is the transfer agent and registrar for the Voting Shares at its principal office in Montréal.

INTEREST OF EXPERTS

The following persons and companies have prepared certain sections of this Circular and/or schedules attached hereto as described below, or are named as having prepared or certified a report, statement or opinion in or incorporated by reference in this Circular.

Name of Expert[(1)]	Nature of Relationship
NBF	Authors responsible for the preparation of the NBF Fairness Opinion

Name of Expert[1]	Nature of Relationship
BMO	Authors responsible for the preparation of the BMO Fairness Opinion
Fasken	Authors of the opinions under "Certain Canadian Federal Income Tax Considerations" and "Eligibility for Investments"

(1) To the knowledge of the Corporation, none of the experts so named (or any of the designated professionals thereof) held, each as a group, securities representing more than 1% of all issued and outstanding Voting Shares as at the date of the statement, report or valuation in question, and none of the persons above is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

ADDITIONAL DISCLOSURE

Corporate Disclosure Policy

The Corporation follows a disclosure policy setting out the process by which it discloses its corporate information. The policy is implemented by the disclosure committee. Its members include most Executive Officers of the Corporation responsible for, amongst other things, earnings announcements, reviewing analyst reports, conference calls and meetings with analysts, selective disclosure of information, the use of forward-looking information, dealing with rumours and blackout periods. The policy provides for a disclosure compliance system and procedures to ensure that material information concerning Transat's affairs is brought to the attention of the disclosure committee members in a timely and accurate manner.

The disclosure policy is reviewed on a regular basis by the disclosure committee, in order to update it in relation to the Corporation's practices concerning disclosure within the Corporation.

Additional Information

More information on the Corporation is available on the SEDAR website at www.sedar.com or the Corporation's website at www.transat.com. Copies of our annual information form, management information circular, financial statements and management's discussion and analysis may be obtained upon delivery of a written request addressed to: Bernard Bussières, Vice-President, General Counsel and Corporate Secretary at Place du Parc, 300 Léo Pariseau Street, Suite 600, Montréal, Québec, H2X 4C2. Transat's financial information can be found in the comparative financial statements and the management's discussion and analysis for our last fiscal year.

Transat is a reporting issuer in all Canadian provinces, and we must file our financial statements and management information circular with each of the Canadian Securities Administrators. We also file an annual information form with these same administrators.

Approval of the Management Proxy Circular

The content and the sending of this Circular have been approved by the Board of the Corporation.

Made at Montréal, Québec, on November 12, 2020.

BY ORDER OF THE BOARD

TRANSAT A.T. INC.

Bernard Bussières
Vice-President, General Counsel and Corporate Secretary

GLOSSARY OF TERMS

"2019 Amended Arrangement Agreement" has the meaning ascribed thereto under "The Arrangement – Background to the Arrangement".

"2019 Arrangement" means the statutory plan of arrangement pursuant to section 192 of the CBCA involving Transat and Air Canada as contemplated by the 2019 Arrangement Agreement.

"2019 Arrangement Agreement" means the arrangement agreement between Transat and Air Canada dated June 27, 2019 (including the Schedules thereto), as subsequently amended on August 11, 2019.

"2019 Circular" has the meaning ascribed thereto under Question 19 of "Information Regarding the Meeting - Your Questions and our Answers on Proxy Voting".

"2019 Proposed Transaction" has the meaning ascribed thereto under "The Arrangement – Background to the Arrangement".

"2019 Replacement Bonus" has the meaning ascribed thereto under "The Arrangement - Interests of Certain Persons in the Arrangement – Employee Retention Plans".

"2020 Replacement Bonus" has the meaning ascribed thereto under "The Arrangement - Interests of Certain Persons in the Arrangement – Employee Retention Plans".

"2025 Notes" has the meaning ascribed thereto under "Information concerning Air Canada – Prior Purchases and Sales".

"5-Year Plan" has the meaning ascribed thereto under "The Arrangement – Background to the Arrangement".

"Acquisition Proposal" means, other than the transactions contemplated by the Arrangement Agreement and other than any transaction involving only the Corporation and/or one or more of its wholly-owned Subsidiaries, any offer, proposal or inquiry (written or oral) from any Person or group of Persons other than the Purchaser (or any affiliate of the Purchaser) after the date of the Arrangement Agreement relating to (a) any direct or indirect sale, disposition, alliance or joint venture (or any lease, license, long-term supply agreement or other arrangement having the same economic effect as a sale), in a single transaction or a series of related transactions, of assets (including shares of Subsidiaries) representing 20% or more of the consolidated assets or contributing 20% or more of the consolidated revenue of the Corporation and its Subsidiaries; (b) direct or indirect takeover bid, tender offer, exchange offer treasury issuance or other transaction, in a single transaction or a series of related transactions, that, if consummated, would result in such Person or group of Persons beneficially owning, or exercising control or direction over, 20% or more of any class of voting or equity securities (including securities convertible into or exchangeable for such voting or equity securities) of the Corporation then outstanding (assuming, if applicable, the conversion, exchange or exercise of such securities convertible into or exchangeable or exercisable for such voting or equity securities); (c) any arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution, winding up or exclusive license, in a single transaction or series of related transactions involving the Corporation or any of its Subsidiaries whose assets or revenues, individually or in the aggregate, respectively constitute 20% or more of the consolidated revenues or constitute 20% or

more of the consolidated assets of the Corporation and its Subsidiaries; or (d) any other similar transaction or series of related transactions involving the Corporation or any of its Subsidiaries whose assets or revenues, individually or in the aggregate, respectively constitute 20% or more of the consolidated revenues or constitute 20% or more of the consolidated assets of the Corporation and its Subsidiaries.

"AC LTIP" has the meaning ascribed thereto under "Information concerning Air Canada – Prior Purchases and Sales".

"Ad Hoc Charters" means (i) short term wet or dry leasing of Aircraft for periods of less than one month to deal with situations of over or under capacity, or (ii) chartering of Corporation Aircraft or Seasonal Aircraft by third parties on an ad hoc basis for periods of less than one month.

"Aeroplan Points" has the meaning ascribed thereto under "Information Concerning Air Canada – General".

"Aeroplan Program" has the meaning ascribed thereto under "Information Concerning Air Canada – General".

"affiliate" has the meaning specified in Regulation 45-106.

"Air Canada Annual Information Form" has the meaning ascribed thereto under "Information Concerning Air Canada- Documents Incorporated by Reference".

"Air Canada Annual MD&A" has the meaning ascribed thereto under "Information Concerning Air Canada- Documents Incorporated by Reference".

"Air Canada Interim MD&A" has the meaning ascribed thereto under "Information Concerning Air Canada- Documents Incorporated by Reference".

"Air Canada Rouge" has the meaning ascribed to it under "Information concerning Air Canada – General".

"Air Canada Shares" and the "Purchaser Shares" means Air Canada Variable Voting Shares and / or Air Canada Voting Shares as the context implies.

"Air Canada Vacations" has the meaning ascribed to it under "Information concerning Air Canada – General".

"Air Canada Variable Voting Shares" means the class A variable voting shares in the capital of Air Canada.

"Air Canada Voting Shares" means the class B voting shares in the capital of Air Canada.

"Aircraft" means an aircraft consisting of an airframe together with any engines installed thereon from time to time or associated therewith (provided that, for greater certainty, an airframe without one or more engines installed thereon or associated therewith shall nonetheless be considered an Aircraft for

purposes of this definition) and all parts incorporated or contained in, attached or appurtenant to, such airframe and engines and which form part or shall be deemed to form part of the aircraft.

"Aircraft Contract" means a contract pursuant to which the Corporation and/or any of its Subsidiaries has an obligation, a commitment, right or option relating to the purchase, sale, lease, sublease or use of any (a) Aircraft, (b) Aircraft Engine, (c) Spare Engine, (d) flight simulator or (e) Parts (where the value for such Parts under the applicable contract and any other reasonably related contract is in excess of (i) $7,500,000 in the aggregate when this term is used with respect to the covenants regarding the conduct of the business of the Corporation, either directly or indirectly through the use therein of the term Material Contract, or (ii) $5,000,000 in the aggregate when this term is used elsewhere in the Arrangement Agreement).

"Aircraft Engine" means an aircraft engine together with all parts installed on, incorporated or contained in, attached or appurtenant to, such engine and which form part or shall be deemed to form part of the engine, and which engine was acquired by the Corporation or one of its Subsidiaries as part of an Aircraft, regardless of whether such engine is installed on such Aircraft or any other Aircraft at any given time.

"Aircraft Finance Contract" means a contract pursuant to which the Corporation and/or any of its Subsidiaries has financed, or has commitments to finance or refinance the purchase of any (a) Aircraft, (b) Aircraft Engine, (c) Spare Engine, (d) flight simulator, or (e) Parts (where the value for such Parts under the applicable contract and any other reasonably related contract is in excess of (i) $7,500,000 in the aggregate when this term is used with respect to the covenants regarding the conduct of the business of the Corporation, either directly or indirectly through the use therein of the term Material Contract, or (ii) $5,000,000 in the aggregate when this term is used elsewhere in the Arrangement Agreement).

"Air Transat" has the meaning ascribed thereto under Question Error! Reference source not found. of "Information Regarding the Meeting - Your Questions and our Answers on Proxy Voting".

"allowable capital loss" has the meaning ascribed thereto under "Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Sale of Voting Shares for the Cash Consideration".

"AMF" means the Autorité des marchés financiers (Québec).

"ARC" has the meaning ascribed thereto under "Certain Legal Matters - Regulatory Matters - Competition Act Approval".

"Arrangement" means an arrangement under Section 192 of the CBCA in accordance with the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations to the Plan of Arrangement made in accordance with the terms of the Arrangement Agreement or made at the direction of the Court in the Final Order with the prior written consent of the Corporation and the Purchaser, each acting reasonably.

"Arrangement Agreement" means the arrangement agreement dated October 9, 2020, among the Purchaser and the Corporation (including the Schedules thereto) as it may be amended, modified or supplemented from time to time in accordance with its terms.

"Arrangement Resolution" means the special resolution approving the Plan of Arrangement to be considered at the Meeting, substantially in the form attached hereto as Schedule A to this Circular.

"Arrangement to Pay" means a written offer to a Dissenting Shareholder to pay the fair value for the number of Voting Shares in respect of which that Shareholder exercises Dissent Rights.

"Articles of Arrangement" means the articles of arrangement of Transat in respect of the Arrangement, required by the CBCA to be sent to the Director after the Final Order is made, which shall include the Plan of Arrangement and otherwise be in a form and content satisfactory to Transat and the Purchaser, each acting reasonably.

"AST" means AST Trust Company (Canada).

"Authorization" means, with respect to any Person, any order, permit, approval, certification, accreditation, consent, waiver, registration, licence or similar authorization of, or agreement with, any Governmental Entity, whether by expiry or termination of an applicable waiting period or otherwise, that is binding upon or applicable to such Person, or its business, assets or securities.

"Aviation Authorities" means any Governmental Entity in respect of the regulation of commercial aviation, air navigation or the registration, airworthiness or operation of civil aircraft and having jurisdiction over the Corporation or any of its Subsidiaries, including Transport Canada Civil Aviation, the CTA, the U.S. Federal Aviation Administration, the United States Department of Transportation and the European Aviation Safety Agency.

"BMO" means BMO Nesbitt Burns Inc.

"BMO Engagement Letter" has the meaning ascribed thereto under "The Arrangement - Fairness Opinions - BMO Fairness Opinion".

"BMO Fairness Opinion" means the opinion delivered by BMO to the Special Committee and the Board dated October 9, 2020 to the effect that, subject to the assumptions, qualifications and limitations set forth therein, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Shareholders.

"Board" means the board of directors of Transat as constituted from time to time.

"Board Recommendation" means the unanimous recommendation of the Board that the Shareholders vote in favour of the Arrangement Resolution.

"Breaching Party" has the meaning ascribed to it under "Arrangement Agreement – Covenants - Notice and Cure Provisions".

"Business Day" means any day of the year, other than a Saturday, Sunday or any day on which major banks are closed for business in Montréal, Québec or Winnipeg, Manitoba.

"Cash Consideration" means $5.00 in cash per Voting Share, without interest.

"CBCA" means the *Canada Business Corporations Act* and the regulations made thereunder, as promulgated or amended from time to time.

“Certificate of Arrangement” means the certificate of arrangement giving effect to the Arrangement, to be issued by the Director pursuant to subsection 192(7) of the CBCA in respect of the Articles of Arrangement.

"CEWS" means the Canada Emergency Wage Subsidy, promulgated under Bill C-14 and assented to on April 11, 2020, and any other COVID-19 related direct or indirect wage subsidy offered by a federal, provincial, territorial or foreign Governmental Entity.

"CEWS Returns" means any and all returns, reports, records, calculations, declarations, elections, attestations, notices, forms, designations, filings, and statements filed or required to be filed, or required to be kept on file in respect of CEWS.

“Change in Recommendation” has the meaning ascribed thereto under “Arrangement Agreement - Termination”.

“Circular” means this management proxy circular of Transat, including all schedules hereto, to be sent by Transat to the Shareholders in connection with the Meeting.

“Class A variable voting shares” means the class A variable voting shares in the capital of the Corporation.

“Class B voting shares” means the class B voting shares in the capital of the Corporation.

“Closing” means the closing of the transactions contemplated by the Arrangement Agreement.

“Commissioner" means the Commissioner of Competition appointed pursuant to Section 7 of the Competition Act and includes any person designated by the Commissioner to act on his behalf.

"Competition Act" means the *Competition Act* (Canada) and includes the regulations promulgated thereunder.

“Competition Act Approval” means the waiting period, including any extension of such waiting period, under Section 123 of the Competition Act shall have expired or been terminated or the obligation to provide a pre-merger notification in accordance with Part IX of the Competition Act shall have been waived in accordance with paragraph 113(c) of the Competition Act, and the Governor in Council shall have approved the transactions contemplated by the Arrangement Agreement pursuant to Section 53.2(7) of the CT Act on terms and conditions acceptable to the Purchaser, acting reasonably.

“Confidentiality Arrangements” means the mutual confidentiality and standstill agreement entered into between the Corporation and the Purchaser on February 1, 2019 (as amended in accordance with the Corporation Disclosure Letter) and the clean team agreement entered into between the Corporation and the Purchaser as of May 21, 2019.

“Consideration” means, with respect to any Voting Share, the Cash Consideration or the Share Consideration, in each case, without interest.

“Consortia” means those Canadian and United States fuel consortia and de-icing consortia among the Corporation and/or its Subsidiaries and certain other airlines, as may be in force and effect from time to time.

“Contract” means any written or oral agreement, commitment, engagement, contract, franchise, licence, lease (wet lease, dry lease or sublease), obligation, note, bond, mortgage, indenture, deferred or conditioned sale agreement, general sales agent agreement, undertaking or joint venture, in each case, together with any amendment, modification or supplement thereto, to which the Corporation or any of its Subsidiaries is a party or by which the Corporation or any of its Subsidiaries is bound or affected or to which any of their respective properties (including the Corporation Leased Properties, the Corporation Aircraft and any Corporation Engines) or assets are subject.

“Contracted Carriers” has the meaning ascribed to it under “Information concerning Air Canada – General”.

“Control Number” has the meaning ascribed to it under Question 3 of “Information Regarding the Meeting - Your Questions and our Answers on Proxy Voting”.

“Corporation” or “Transat” means Transat A.T. Inc., a corporation existing under the Laws of Canada.

“Corporation Aircraft” means all Aircraft owned, leased or subleased by the Corporation or one of its Subsidiaries (excluding any wet lease where the Corporation or one of its Subsidiaries is the wet lessee) or otherwise operated by or on behalf of the Corporation or one of its Subsidiaries, including all Seasonal Aircraft that are not subject to a wet lease where the Corporation or one of its Subsidiaries is the wet lessee.

“Corporation Airport” means any airport at, into or out of which the Corporation or any of its Subsidiaries conducts, directly or indirectly (including through a third party ground handler or any other representative acting on behalf of the Corporation or any of its Subsidiaries), its operations, holds any assets or has any leased property.

“Corporation Disclosure Letter” means the disclosure letter dated the date of the Arrangement Agreement and delivered by the Corporation to the Purchaser with the execution of the Arrangement Agreement.

“Corporation Engines” means all Aircraft Engines and Spare Engines owned, leased or used by the Corporation or one of its Subsidiaries (excluding, for greater certainty, any Aircraft Engine relating to an Aircraft that is subject to a wet lease where the Corporation or one of its Subsidiaries is the wet lessee).

“Corporation Leased Properties” means any real or immovable property leased, subleased, licensed or otherwise used or occupied by the Corporation or any of its Subsidiaries.

“Corporation Slots” means all takeoff and landing slots, gate rights and bridge rights granted to the Corporation or any of its Subsidiaries by an airport authority or other air carriers, and any applicable operating Authorizations from Transport Canada, or any other applicable Governmental Entity and other similar airport access rights held by the Corporation or any of its Subsidiaries in respect of any Material Corporation Airport.

“Court” means the Québec Superior Court.

“COVID-19” means the coronavirus disease 2019 (dubbed as COVID-19), caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) and/or any other virus or disease developing from or arising as a result of SARS-CoV-2 and/or COVID-19.

"COVID-19 Measures" means commercially reasonable actions that are required for the Corporation or any of its Subsidiaries to take or refrain from taking in the operation of their business in order to comply with the provisions of any health, quarantine, social distancing, shut down, safety or similar Law promulgated by any Governmental Entity in connection with COVID-19.

“CPAs” has the meaning ascribed to it under “Information concerning Air Canada – General”.

“CRA” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations”.

“CT Act” means the *Canada Transportation Act (S.C. 1996, c. 10)* and includes the regulations promulgated thereunder.

“CT Act Approval” means notification of the transactions contemplated by the Arrangement Agreement shall have been provided to the Minister pursuant to Section 53.1(1) of the CT Act and the Governor in Council has approved the transactions contemplated by the Arrangement Agreement pursuant to Section 53.2(7) of the CT Act on terms and conditions acceptable to the Purchaser, acting reasonably.

"CTA" has the meaning ascribed thereto under " Certain Legal Matters – Regulatory Matters – Canadian Status Determination".

“CTA Transaction” has the meaning ascribed thereto under “Certain Legal Matters – Regulatory Matters – Canadian Status Determination”.

“Demand for Payment” means a written notice containing a Dissenting Shareholder’s name and address, the number and type of Voting Shares in respect of which that Dissenting Shareholder dissents and a demand for payment of the fair value of such Voting Shares.

“Depositary” means AST, in its capacity as depositary for the Arrangement, or such other person as the Corporation and Purchaser agree to engage as depositary for the Arrangement.

“Director” means the Director appointed pursuant to Section 260 of the CBCA.

“Dissent Notice” means a written objection to the Arrangement Resolution provided by a Dissenting Shareholder in accordance with the dissent procedure set out under Section 190 of the CBCA.

“Dissent Rights” means the rights of dissent granted in favour of Registered Shareholders in respect of the Arrangement pursuant to and in the manner set forth in Section 190 of the CBCA, as modified by the Interim Order and the Plan of Arrangement.

“Dissent Shares” means those Voting Shares in respect of which Dissent Rights have been exercised by the Registered Shareholders in accordance with Section 190 of the CBCA, as modified by the Interim Order and the Plan of Arrangement.

"Dissenting Shareholder" means a registered holder of Voting Shares who (i) dissents in respect of the Arrangement Resolution in strict compliance with the Dissent Rights, (ii) does not withdraw, or is not deemed to have withdrawn, such dissent prior to the Effective Time, and (iii) who is ultimately entitled to be paid the fair value for its Voting Shares.

"DSU Plans" means the Corporation's Deferred Share Unit Plan for the benefit of senior management adopted effective as of May 18, 2004, and amended on June 8, 2005, and September 26, 2007, and the Corporation's Deferred Share Unit Plan for the benefit of independent directors adopted effective as of March 19, 2003, and amended on June 8, 2005, January 18, 2006, January 13, 2016, December 13, 2017, and June 13, 2018.

"DSUs" means all outstanding deferred share units issued under the DSU Plans.

"EDC" has the meaning ascribed thereto under "The Arrangement – Background to the Arrangement".

"Effective Date" means the date shown on the Certificate of Arrangement.

"Effective Time" means 12:01 (Montréal Time) on the Effective Date, or such other time as the Parties may agree to in writing before the Effective Date.

"Election Deadline" has the meaning ascribed thereto under Question 26 of "Information Regarding the Meeting - Your Questions and our Answers on Proxy Voting".

"Employees" means all employees of the Corporation and its Subsidiaries, as the case may be, including part-time and full-time employees, in each case, whether active or inactive, whether represented by a Union or not.

"Employee Plans" means all health, welfare, supplemental unemployment benefit, fringe benefit, bonus, profit sharing, savings, insurance, incentive (including the Incentive Plans and the ESPPs), the Employee Retention Policy, individual retirement agreements, incentive compensation, deferred compensation, death benefits, termination, retention, change in control, severance, security purchase, security compensation, disability, capital accumulation plans, defined benefit pension plans, registered and non-registered pension plans, funded and unfunded pension plans, multi-employer plans, supplemental retirements plans and other employee, independent contractor, consultant or director compensation or benefit plans, policies, trusts, funds, agreements or arrangements for the benefit of employees, consultants, agents or independent contractors of the Corporation or any of its Subsidiaries, or any other Person, whether written or unwritten, which are maintained by or binding upon the Corporation or any of its Subsidiaries or in respect of which the Corporation or any of its Subsidiaries has any actual or potential liability, but does not include (a) individual offer letters or employment contracts with employees, consultants, agents or independent contractors of the Corporation or any of its Subsidiaries (in each case as amended, modified or supplemented) or collective agreements, and (b) any statutory plans administered by a Governmental Entity, including the Canada Pension Plan, Québec Pension Plan and plans administered pursuant to applicable federal, state or provincial health, worker's compensation or employment insurance legislation.

"Employee Retention Policy" means the Corporation's *Politique de rémunération en cas de changement de contrôle* approved by the Board on February 12, 2019, in connection with the Arrangement, and disclosed in the Corporation Disclosure Letter.

"Employment Benefits" has the meaning ascribed thereto under "Certain Legal Matters - Application of Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions."

"ESPPs" means, collectively, (a) the Permanent Stock Ownership Incentive Plan for Senior Managers adopted effective as of November 1, 2004, and last amended on December 13, 2017; (b) the Stock Ownership and Capital Accumulation Incentive Plan for the Non-Unionized Employees adopted effective as of January 13, 2016, and amended on December 13, 2017; and (c) the Employee Share Purchase Plan for the Benefit of all Employees or Executives adopted effective as of January 1, 2015, and last amended on December 13, 2017.

"EU" means the European Union.

"EU Merger Regulation (139/2004)" and "EU Merger Regulation" mean European Union Council Regulation (EC) No. 139/2004, as amended, and accompanying regulations.

"Executive Officers" refers to the officers holding Level 1 to 6 positions in Transat's salary classification. For information purposes, there were twelve (12) executive officers as at October 9, 2020: Joseph Adamo, Michèle Barre, Bernard Bussières, Jean-Marc Eustache, Daniel Godbout, Annick Guérard, Grant Elder, Christophe Hennebelle, Bruno Leclaire, Jean-François Lemay, Denis Pétrin and Jordi Solé. When used in reference to officers who have entered into Support Agreements, the expression "Executive Officers" shall exclude Grant Elder, who is currently a non-acting officer.

"Existing Financing Instruments" means, collectively, the following: (a) Fifth Amended and Restated Credit Agreement dated as of October 9, 2020 among, inter alios, the Corporation and National Bank of Canada providing for a revolving credit facility in the maximum aggregate amount of $50,000,000, together with all loan documents, security and other agreements related thereto, (b) Credit Agreement dated as of July 21, 2011 among, inter alios, the Corporation and National Bank of Canada providing for a letter of credit facility in the maximum aggregate amount of $75,000,000, together with all loan documents, security and other agreements related thereto, (c) an offer letter dated as of February 27, 2018 among, inter alios, the Corporation and Export Development Canada with regards to a guaranteed Marge PSG in favour of National Bank of Canada up to a maximum aggregate amount of $50,000,000, together with coverage certificates, general conditions, indemnities (including the *Déclaration et indemnisation pour produits de cautionnement* made by the Corporation in favour of Export Development Canada dated May 5, 2010), loan documents, security and other agreements related thereto, (d) bonds and guarantees or other types of similar securities issued by the Corporation or any of its Subsidiaries for the benefit of third parties as required by Law in the Ordinary Course in the maximum aggregate amount of GBP 5,000,000, (e) credit card processing arrangements made available to the Corporation and its subsidiaries by certain credit card processors, together with all loan documents, security and other agreements related thereto, (f) the commercial credit card agreement made available to the Corporation and its Subsidiaries by The Bank of Nova Scotia, and (g) the Subordinated Credit Agreement dated as of October 9, 2020 among, inter alios, the Corporation and National Bank of Canada providing for a non-revolving credit facility in the maximum aggregate amount of $250,000,000, together with all documents, security and other agreements related thereto.

"Fairness Opinions" means, collectively, the BMO Fairness Opinion and the NBF Fairness Opinion.

"Fasken" means Fasken Martineau DuMoulin LLP.

"Final Air Canada Proposal" has the meaning ascribed thereto under "The Arrangement - Background to the Arrangement".

"Final Hearing" has the meaning ascribed thereto under "Certain Legal Matters – Court Approval and Completion of the Arrangement – Final Order".

"Final Order" means the final order of the Court in a form acceptable to the Corporation and the Purchaser, each acting reasonably, approving the Arrangement, as such order may be amended by the Court (with the consent of both the Corporation and the Purchaser, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both the Corporation and the Purchaser, each acting reasonably) on appeal.

"Financing" has the meaning ascribed thereto under Question 19 of "Information Regarding the Meeting – Your Questions and our Answers on Proxy Voting".

"Gide" means Gide Loyrette Nouel A.A.R.P.I.

"Governmental Entity" means (a) any international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, cabinet, board, bureau, minister, ministry, agency or instrumentality, domestic or foreign; (b) any subdivision, agent or authority of any of the foregoing; (c) any quasi-governmental or private body including any tribunal, commission, regulatory agency or self-regulatory organization exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing, including authorities and agencies having regulatory powers in respect of transportation and aviation matters such as the Aviation Authorities; or (d) any Securities Authority or stock exchange, including the TSX.

"Governor in Council" means the Governor in Council or Governor General of Canada.

"Holder" has the meaning ascribed thereto under "Certain Canadian Federal Income Tax Considerations".

"IFRS" means generally accepted accounting principles as set out in the CPA Canada Handbook – Accounting for an entity that prepares its financial statements in accordance with International Financial Reporting Standards.

"Incentive Plans" means (i) the Stock Option Plans, (ii) the DSU Plans, (iii) the PSU Plan; and (iv) the RSU Plan.

"Incentive Securities" means, collectively, the Options, the DSUs, the PSUs and the RSUs.

"Indebtedness" means, with respect to any Person, without duplication: (a) all obligations of such Person for borrowed money, or with respect to deposits or advances of any kind to such Person; (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments; (c) all Aircraft leases and conditional sale agreements and all other contracts relating to the purchase, sale, lease, sublease or financing of Aircraft, Aircraft Engines, Spare Engines or Parts; (d) all capitalized leases or purchase money obligations of such Person; (e) all obligations under credit card processing arrangements, (f) all monetary obligations of such Person owing under swap contracts or similar financial

instruments (which amount shall be calculated based on the amount that would be payable by such Person if the relevant contract or instrument were terminated on the date of determination), (g) all guarantees, indemnities or financial assistance of, or in respect of, any Indebtedness of any other Person; (h) all reimbursement obligations with respect to letters of credit and letters of guarantee; and (i) all obligations in respect of bankers' acceptances.

"Interim Order" means the interim order of the Court in a form acceptable to the Corporation and the Purchaser, each acting reasonably, providing for, among other things, the calling and holding of the Meeting, as such order may be amended by the Court with the consent of the Corporation and the Purchaser, each acting reasonably.

"Intermediary" has the meaning ascribed thereto under Question 2 of "Information Regarding the Meeting - Your Questions and our Answers on Proxy Voting".

"Intervening Event" means the implementation after the date of the Arrangement Agreement of a financial assistance program by a Governmental Entity in Canada or one of its provinces or territories (or of a material amendment to the Large Employer Emergency Financing Facility) (in each case, in the form of loans and/or non-repayable grants) that meets each of the following conditions, namely, that it: (i) is material to the Corporation and its Subsidiaries, taken as a whole, (ii) is made generally available to the airline industry or the segments of the travel, hotel and tourism industries in Canada and in which the Corporation and its Subsidiaries operate (and for greater certainty, a program that on its face appears to be generally available, but has been designed or intended to only be available in its application to the Corporation and/or its Subsidiaries, shall not be considered as being made generally available), (iii) has not been publicly announced as of the date hereof and is not known to, or reasonably knowable by (or, if known, the material terms of which (based on facts known to the Board as of the date of the Arrangement Agreement) are not known to or reasonably foreseeable by) the Board as of the date hereof (it being understood, for the avoidance of doubt, that any financial assistance program arising or resulting from the measures announced in the 2020 Speech from the Throne of the Government of Canada is not considered to have been publicly announced as of the date hereof, and as such it is agreed that any such financial assistance program is not known to, or reasonably knowable by (and that the material terms of which (based on facts known to the Board as of the date of the Arrangement Agreement) are not known to or reasonably foreseeable by) the Board as of the date hereof), (iv) does not, directly or indirectly, relate to, result from, constitute or support an Acquisition Proposal, (v) does not result, directly or indirectly, from any breach of the Arrangement Agreement by the Corporation, and (vi) was not solicited, assisted, initiated, knowingly encouraged or otherwise knowingly facilitated (including by way of furnishing or providing copies of, access to, or disclosure of, any confidential information, properties, facilities, books or records of the Corporation or any Subsidiary) by the Corporation or any Subsidiary after the date hereof, directly or indirectly, including through any of their Representatives, affiliates or otherwise (excluding, for such purposes, (a) any such solicitation made after providing written notice to a senior executive of the Purchaser or jointly with the Purchaser for the general benefit of the airline industry or the segments of the travel, hotel and tourism industries in which the Corporation and its Subsidiaries operate, and (b) any such solicitation, access or disclosure made for the purpose of determining or confirming the Corporation's qualification or eligibility under such financial assistance program or to obtain, provide or furnish any information reasonably required in connection therewith). Without limiting the generality of the foregoing, and for greater certainty, for the purpose of determining whether an Intervening Event has occurred, none of the following developments, facts, changes, events, occurrences or circumstances, whether actual or reasonably knowable or foreseeable, shall be taken into

consideration: (a) any change in the trading price or trading volume of the Voting Shares or Purchaser Shares, or any change in credit ratings or ratings outlook for the Corporation or Purchaser, as applicable, or any of their respective Subsidiaries (it being understood that, with respect to the Voting Shares or the Corporation and its Subsidiaries, the facts or occurrences giving rise or contributing to such change or event (other than the facts or occurrences excluded from the present definition) may be taken into account for purposes of determining whether an Intervening Event has occurred); (b) any change after the date hereof in general economic or business conditions (including, without limitation, the easing of travel restrictions related to COVID-19) in Canada or elsewhere in the world; (c) any change after the date hereof in the credit, debt, financial or capital markets or in interest or exchange rates, in each case, in Canada or elsewhere in the world; (d) the fact that the Corporation or Purchaser exceeds or fails to meet or exceed analyst earnings projections, earnings guidance or internal financial forecasts (it being understood that, with respect to the Corporation, the facts or occurrences giving rise or contributing to such change or event (other than the facts or occurrences excluded from the present definition) may be taken into account for purposes of determining whether an Intervening Event has occurred); (e) compliance with or performance under the Arrangement Agreement or of the transactions contemplated by the Arrangement Agreement (other than, for greater certainty, any breach of the Arrangement Agreement by the Corporation, as contemplated above in clause (v) of the present definition); (f) the timing of any consents, registrations, approvals, permits, clearances or authorizations required to be obtained prior to the Closing in connection with the Arrangement Agreement ; (g) the receipt, existence or terms of an Acquisition Proposal or any matter relating thereto including any consequence thereof; or (h) any development, fact, change, event, occurrence or circumstance relating to the business or affairs of the Purchaser.

"Intervening Event Notice" has the meaning ascribed thereto under "Arrangement Agreement – Intervening Events".

"Intervening Event Notice Period" has the meaning ascribed thereto under "Arrangement Agreement – Intervening Events".

"Joint Venture Subsidiary" means Desarrollo Transimar S.A. de C.V.

"Key Regulatory Approvals" means the Competition Act Approval, CT Act Approval and the approval of the Arrangement pursuant to the EU Merger Regulation (139/2004).

"Kingsdale Advisors" means the Corporation's strategic shareholder advisor and proxy solicitation agent.

"Law" means, with respect to any Person, any and all applicable national, federal, provincial, state, municipal or local law (statutory, common, civil or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, Order, injunction, judgment, award, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities (including for greater certainty the *Transportation Modernization Act* upon its coming into force), and to the extent that they have the force of law or are binding on or affecting the Person to which they purport to apply, policies, guidelines, bulletins and enforcement advisories, standards, notices and protocols of any Governmental Entity, as amended.

"Letter of Transmittal and Election Form" means the letter of transmittal and election form enclosed herewith for use in connection with the Arrangement.

"Lien" means any mortgage, charge, pledge, hypothec, security interest, international interest prior claim, encroachments, option, right of first refusal or first offer, occupancy right, covenant, assignment, lien (statutory or otherwise), defect of title, or restriction or adverse right or claim, or other third party interest or encumbrance of any kind, in each case, whether contingent or absolute, including any right of a lessor under a capital or financing lease and any other lease financing.

"Matching Period" has the meaning ascribed to it under "Arrangement Agreement – Covenants Regarding Non-Solicitation – Right to Match".

"Material Adverse Effect" means, with respect to any Party, any change, event, occurrence, effect, state of facts and/or circumstance that, individually or in the aggregate with other such changes, events, occurrences, effects, states of facts or circumstances is or would reasonably be expected to be material and adverse to the business, operations, results of operations, assets, properties, financial condition, liabilities (contingent or otherwise) of such Party and its Subsidiaries, taken as a whole, except any such change, event, occurrence, effect, state of facts or circumstance resulting from or arising in connection with:

(a) any change, event, occurrence, effect, state of facts or circumstance affecting generally the airline industry or the segments of the travel, hotel and tourism industries in which such Party and its Subsidiaries operate;

(b) changes, events or occurrences in general economic, political, or financial conditions in any jurisdiction in which such Party or its Subsidiaries operate, including changes in currency exchange rates;

(c) any change in Law, IFRS (including with respect to the implementation of IFRS 16) or changes in regulatory accounting or tax requirements, or in the interpretation, application or non-application of the foregoing by any Governmental Entity;

(d) increases in the price of fuel (it being understood that the causes underlying such increase may, to the extent not otherwise excluded from the definition of Material Adverse Effect, be taken into account in determining whether a Material Adverse Effect has occurred);

(e) any natural disasters, acts of war (whether declared), uprisings and civil unrest, acts of terrorism or sabotage and outbreaks of disease, including in each of the aforementioned cases, any escalation or worsening thereof;

(f) any action taken (or omitted to be taken) by a Party or any of its Subsidiaries to the extent required by the Arrangement Agreement (it being understood that the causes underlying any action required by applicable Law or in order to take commercially reasonable steps to respond to emergency-type occurrences involving the preservation of business systems or Corporation data (including with respect to data and privacy breaches)), may to the extent not otherwise excluded from the definition of Material Adverse Effect, be taken into account in determining whether a Material Adverse Effect has occurred) or with the prior written consent or at the written direction of the other Party;

(g) any change in the market price or trading volume of the Voting Shares (it being understood that the causes underlying such change in market price or trading volume may, to the extent not otherwise excluded from the definition of Material Adverse Effect, be taken into account in determining whether a Material Adverse Effect has occurred);

(h) any failure by such Party to meet any internal forecasts, projections or earnings guidance or expectations, or any external forecasts, projections or earnings guidance or expectations provided or publicly released by such Party or equity analysts for any period (it being understood that the causes underlying such matters may, to the extent not otherwise excluded from the definition of Material Adverse Effect, be taken into account in determining whether a Material Adverse Effect has occurred);

(i) any proceeding or threatened proceeding relating to the Arrangement Agreement or the Arrangement; or

(j) the execution, announcement or performance of the Arrangement Agreement or the Arrangement or the implementation of the Arrangement, including any loss or threatened loss of, or adverse change or threatened adverse change in, the relationship of such Party or any of its Subsidiaries with any Governmental Entity or any of its or their current or prospective employees, customers, securityholders, Securityholders, financing sources, vendors, distributors, suppliers, partners, licensors or lessors;

but, in the case of (a) through to and including (e) above, only to the extent that any such change, event, occurrence, effect, state of facts or circumstances does not have a materially disproportionate effect on such Party and its Subsidiaries, taken as a whole, the relative to other entities operating in the airline industry or the segments of the travel, hotel and tourism industries in which such Party and its Subsidiaries operate; and references in certain sections of the Arrangement Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretative for purposes of determining whether a Material Adverse Effect has occurred.

"Material Contract" means any contract:

(a) that is an Aircraft Contract or an Aircraft Finance Contract or that is a material ancillary agreement related to an Aircraft Contract or an Aircraft Finance Contract or any software, data or other license agreement required to operate and/or maintain the Corporation Aircraft and the Corporation Engines;

(b) that is a shareholders agreement or a similar type of contract or that is otherwise relating to any joint venture, partnership or alliance, including any contract entered into between the Corporation or any of its Subsidiaries, on the one hand, and a shareholder, partner or manager (or any of their respective affiliates) of a Subsidiary that is not wholly-owned directly or indirectly by the Corporation, on the other hand;

(c) that is an interline, code-share, charter, wet lease, franchise, capacity purchase, regional carrier, co-brand, frequent flyer or similar contract that is material to the business and operations of the Corporation and its Subsidiaries on a consolidated basis or that is outside the Ordinary Course;

(d) with any airport authority in relation to the operation of air services to, use of airport facilities and equipment at, or the lease or license of premises, in each case, at any Material Corporation Airport or that is otherwise material to the business and operations of the Corporation and its Subsidiaries on a consolidated basis or that is outside the Ordinary Course;

(e) relating to the provision of ground baggage handling services (including terminal services, customer services, baggage handling services, ramp services, de-icing services and lounge services), contracts respecting the participation in Consortia, fuel purchase and supply, in each case that is material to the business and operations of the Corporation and its Subsidiaries on a consolidated basis or that is outside the Ordinary Course;

(f) relating to Aircraft, airframe, Aircraft Engine or Spare Engine maintenance repair, overhaul or exchange services or relating to Parts supply or maintenance, repair, overhaul or exchange services that, in each case, is material to the Corporation and its Subsidiaries and that cannot be terminated by the Corporation or any of its Subsidiaries, as applicable, without penalty on sixty (60) days' notice or in respect of which the counterparty is the sole source of supply or has an exclusivity;

(g) relating to the delivery of statutory services such as air navigation and transportation security, in each case that is material to the business and operations of the Corporation and its Subsidiaries on a consolidated basis or that is outside of the Ordinary Course;

(h) relating to the distribution and sale of tickets, travel packages, travel services (including ground transportation and destination booking services), airfares and other products and services with distribution systems and third party vendors and suppliers, in each case that is material to the business and operations of the Corporation and its Subsidiaries on a consolidated basis or that is outside of the Ordinary Course;

(i) providing for material rights in relation to Corporation Slots;

(j) relating to Indebtedness (currently outstanding or which may become outstanding) of the Corporation or any of its Subsidiaries in excess of a principal outstanding amount of (i) $7,500,000 in the aggregate when this term is used with respect to the covenants of the Corporation regarding the conduct of the business of the Corporation in the Arrangement Agreement, or (ii) $5,000,000 in the aggregate when this term is used elsewhere in the Arrangement Agreement), excluding guarantees or intercompany liabilities or obligations between two or more Persons each of whom is a Subsidiary of the Corporation or between the Corporation and one or more Persons each of whom is a Subsidiary of the Corporation;

(k) restricting the incurrence of Indebtedness by the Corporation or any of its Subsidiaries (including by requiring the granting of an equal and rateable lien) or the incurrence of any liens on any properties or assets of the Corporation or any of its Subsidiaries, or restricting the payment of dividends by the Corporation;

(l) under which the Corporation or its Subsidiaries has received payment in excess of (i) $3,500,000 during the fiscal year ended October 31, 2018 or the fiscal year ended October 31, 2019 or is scheduled to or otherwise expects to receive payment in excess of $3,500,000 during the fiscal year ending October 31, 2020 or is scheduled to or otherwise expects to receive in excess of

$3,500,000 in any 12-month period over the life of the Contract when this term is used with respect to the covenants of the Corporation regarding the conduct of the business of the Corporation in the Arrangement Agreement, or (ii) $5,000,000 during the fiscal year ended October 31, 2018 or the fiscal year ended October 31, 2019 or is scheduled to or otherwise expects to receive payment in excess of $5,000,000 during the fiscal year ending October 31, 2020 or is scheduled to or otherwise expects to receive in excess of $5,000,000 in any 12-month period over the life of the Contract when this term is used elsewhere in the Arrangement Agreement;

(m) under which the Corporation or its Subsidiaries has made payment in excess of (i) $3,500,000 during the fiscal year ended October 31, 2018 or the fiscal year ended October 31, 2019 or is scheduled to or otherwise expects to make payment in excess of $3,500,000 during the fiscal year ending October 31, 2020 or is scheduled to or otherwise expects to make payment in excess of $3,500,000 in any 12-month period over the life of the Contract when this term is used with respect to the covenants of the Corporation regarding the conduct of the business of the Corporation in the Arrangement Agreement, or (ii) $5,000,000 during the fiscal year ended October 31, 2018 or the fiscal year ended October 31, 2019 or is scheduled to or otherwise expects to make payment in excess of $5,000,000 during the fiscal year ending October 31, 2020 or is scheduled to or otherwise expects to make payment in excess of $5,000,000 in any 12-month period over the life of the Contract when this term is used elsewhere in the Arrangement Agreement;

(n) providing for the purchase, sale or exchange of, or option to purchase, sell or exchange (including any put, call or similar right), any property or asset where the purchase or sale price or agreed value of such property or asset exceeds (i) $2,000,000 when this term is used in Section 4.1, or (ii) $5,000,000 when this term is used elsewhere in the Arrangement Agreement;

(o) that (i) limits or restricts in any material respect the ability of the Corporation or any of its Subsidiaries to engage in any line of business or carry on business in any geographic area or the scope of Persons to whom the Corporation or any of its Subsidiaries may sell products or deliver services; or (ii) creates an exclusive dealing arrangement or "most favoured nation" obligation, or grants a third party a right of first offer or refusal in respect of material assets of the Corporation or any of its Subsidiaries;

(p) providing for any swap that is material to the Corporation and its Subsidiaries;

(q) that if terminated or modified or if it ceased to be in effect, would reasonably be expected to have a Material Adverse Effect;

(r) that is a collective agreement or contract with any union;

(s) with a Governmental Entity for a value in excess of $5,000,000 in the aggregate;

(t) that contains any indemnification rights or obligations, or credit support relating to such indemnification rights or obligations, other than any of such indemnification rights or obligations incurred in the Ordinary Course;

(u) that obligates the Corporation or any of its Subsidiaries to make any capital investment or capital expenditure in excess of (i) $3,000,000 in the aggregate when this term is used with respect to the covenants of the Corporation regarding the conduct of the business of the Corporation in the Arrangement Agreement, or (ii) $5,000,000 in the aggregate when this term is used elsewhere in the Arrangement Agreement;

(v) providing for any payments that may become payable in connection with, or in relation to, a change of control;

(w) that is a sales agency, travel agency or tour operator Contract (including Contracts with air carriers and with respect to hotel bookings) under which the Corporation or any of its Subsidiaries is obligated to make or is scheduled or expects to receive payments in excess of (i) $3,000,000 in any 12-month period over the life of the Contract when this term is used with respect to the covenants of the Corporation regarding the conduct of the business of the Corporation in the Arrangement Agreement, or (ii) $5,000,000 in any 12-month period over the life of the Contract when this term is used elsewhere in the Arrangement Agreement;

(x) that is a supply contract with respect to air, hotel or payment or credit card processing and that contains any minimum use, supply or display requirements or that requires the Corporation and its Subsidiaries to maintain certain levels of unrestricted cash;

(y) that is otherwise material to the Corporation and its Subsidiaries, taken as a whole; or

(z) any contract (other than contracts referred to in (a) through (y) above) that is still in force and which has been or would be required by Securities Laws to be filed by the Corporation with the Securities Authorities;

and includes each of the contracts listed in the applicable schedule of the Disclosure Letter, provided that, in each of the foregoing cases, if a contract has been amended, modified, supplemented or renewed, any reference to the contract shall refer to the contract as so amended, modified, supplemented or renewed.

"Material Corporation Airport" means Montréal Pierre-Elliot Trudeau International Airport, Toronto Pearson International Airport, London Gatwick Airport, Paris Charles de Gaulle Airport, Cancun International Airport, Punta Cana International Airport and Leonardo Di Vinci Fiumicino International Airport.

"Meeting" means the special meeting of Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution.

"Minister" has the meaning ascribed thereto under "The Arrangement – Background to the Arrangement".

"NBC" has the meaning ascribed thereto under "The Arrangement – Background to the Arrangement".

"NBF" means National Bank Financial Inc.

“NBF Engagement Letter” has the meaning ascribed thereto under “The Arrangement - Fairness Opinions - NBF Fairness Opinion”.

“NBF Fairness Opinion” means the opinion delivered by NBF to the Special Committee and the Board dated October 9, 2020 to the effect that, subject to the assumptions, qualifications and limitations set forth therein, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Shareholders.

"Net Indebtedness" means the difference between the Total Indebtedness and the Specified Assets.

“Net Indebtedness Condition” has the meaning ascribed thereto under “Arrangement Agreement - Closing Conditions - Additional Conditions Precedent to the Obligations of the Purchaser”.

"Net Indebtedness Statement" has the meaning ascribed thereto under “Arrangement Agreement - Covenants - Covenants of the Corporation Regarding the Arrangement”.

“NOBO” has the meaning ascribed thereto under Question 16 of “Information Regarding the Meeting – Your Questions and our Answers on Proxy Voting”.

“Non-Canadian Carrier” has the meaning ascribed thereto under “Information concerning Air Canada – Description of Air Canada Shares – Voting”.

“Non-Registered Shareholders” has the meaning ascribed to it under Question 2 of “Information Regarding the Meeting - Your Questions and our Answers on Proxy Voting”.

“Non-Resident Holder” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada”.

“NRF” has the meaning ascribed thereto under “The Arrangement – Background to the Arrangement”.

“Notice of Meeting” means the notice of special meeting of Shareholders dated November 12, 2020, accompanying this Circular.

“Notice of Presentation” means the notice of presentation of the Final Order, a copy of which is attached as Schedule F to this Circular.

“Notifiable Transactions” has the meaning ascribed thereto under "Certain Legal Matters - Regulatory Matters– Competition Act Approval".

“NRF” means Norton Rose Fulbright Canada LLP.

“OBO” has the meaning ascribed thereto under Question 16 of “Information Regarding the Meeting – Your Questions and our Answers on Proxy Voting”.

“Option” means all outstanding options to purchase Voting Shares issued pursuant to the Stock Option Plans.

“Order” means all judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, injunctions, orders, decisions, rulings, determinations, awards, decrees, stipulations or similar actions

taken or entered by or with, or applied by, any Governmental Entity (in each case, whether temporary, preliminary or permanent).

"Ordinary Course" means, with respect to an action taken by a Party or any of its Subsidiaries, that such action is consistent in nature and scope with the past practices of such Party or such Subsidiary and is taken in the ordinary course of the normal day-to-day operations of the business of such Party or such Subsidiary; provided that actions taken (or omitted) in response to COVID-19 shall not be deemed Ordinary Course except to the extent such actions (or omissions) are COVID-19 Measures.

"Original Outside Date" has the meaning ascribed to the term "Outside Date" pursuant to the 2019 Arrangement Agreement.

"Other Regulatory Approvals" means any Authorization, permit, exemption, review, Order, decision or approval of, or any registration and filing with, any Governmental Entity, or the expiry, waiver or termination of any waiting period imposed by Law or a Governmental Entity, in each case required to be obtained in connection with the transactions contemplated by the Arrangement Agreement, but excluding the Key Regulatory Approvals.

"Outside Date" means February 15, 2021.

"Ownership Restrictions" has the meaning ascribed thereto under Question 6 of "Information Regarding the Meeting - Your Questions and our Answers on Proxy Voting".

"Part" means any appliance, component, part, tool, instrument, auxiliary power unit, landing gear, navigational or communication equipment, appurtenance, attachment, accessory, furnishing or other good or equipment of whatever nature which is or may from time to time be installed on, incorporated or contained in, attached or appurtenant to, an Aircraft, an airframe, an Aircraft Engine or a Spare Engine. For greater certainty, Parts include spare parts.

"Parties" means, collectively, the Corporation and the Purchaser, and "Party" means any one of them.

"Person" includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including Governmental Entity), syndicate or other entity, whether or not having legal status.

"Plan of Arrangement" means the plan of arrangement substantially in the form set forth in Schedule B to this Circular, subject to any amendments or variations to such plan made in accordance with its terms, the terms of the Arrangement Agreement or made at the direction of the Court in the Final Order with the prior consent of the Purchaser and Transat, each acting reasonably.

"Pre-Acquisition Reorganization" has the meaning ascribed thereto under "Arrangement Agreement - Covenants - Covenants Relating to a Pre-Acquisition Reorganization.

"Proposed Amendments" has the meaning ascribed thereto under "Certain Canadian Federal Income Tax Considerations".

"PSU Plan" means the Corporation's Performance Share Units Plan adopted effective as of January 1, 2015, and last amended on December 13, 2017.

"PSUs" means all outstanding performance share units issued under the PSU Plan.

“Puerto Morelos Project” means the project related to the construction by the Corporation and/or one or more of its Subsidiaries of an oceanfront hotel in Puerto Morelos, Mexico (and includes the business systems related thereto, if any).

“Purchaser” or “Air Canada” means Air Canada.

"Purchaser Share Adjustment Event" means, in respect of the Purchaser Shares, the occurrence of any of the following events approved by the Purchaser's board of directors: (1) a subdivision, consolidation or reclassification of the Purchaser Shares, (2) a distribution, issue or dividend generally to all existing holders of Purchaser Shares of (a) Purchaser Shares, or (b) other share capital or securities of the Purchaser granting the right to payment of dividends or distributions by the Purchaser and/or the proceeds of liquidation of the Purchaser equally or proportionately with such payments to holders of such Purchaser Shares, or (c) share capital or other securities of another issuer owned or acquired (in each case, directly or indirectly) by the Purchaser as a result of a spin-off or other similar general distribution to all existing holders of Purchaser Shares, or (3) an event that results in any shareholder rights being distributed or becoming separated from Purchaser Shares pursuant to a shareholder rights plan approved by the Purchaser, provided that any adjustment effected as a result of such an event will be readjusted to the extent of any redemption of such rights.

"Purchaser Shares" means, collectively, the class A variable voting shares or the class B voting shares in the capital of the Purchaser, as applicable.

“RDSP” has the meaning ascribed to it under “Eligibility for Investments”.

“Record Date” means November 10, 2020.

“Registered Shareholders” has the meaning ascribed to it under Question Error! Reference source not found. of “Information Regarding the Meeting – Your Questions and our Answers on Proxy Voting”.

"Regulation 45-106" means Regulation 45-106 respecting Prospectus Exemptions.

“Regulation 61-101” means Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions.

“Regulatory Approvals” means any Authorization, consent, waiver, permit, exemption, review, order, decision or approval of, or any registration and filing with, any Governmental Entity, or the expiry, waiver or termination of any waiting period imposed by Law or a Governmental Entity, in each case in connection with the Arrangement, and includes the Key Regulatory Approvals.

“Released Parties” means, collectively, the Corporation, the Purchaser and their respective Subsidiaries and affiliates and their respective present and former shareholders, officers, directors, trustees, employees, auditors, financial advisors, legal counsel and agents.

“Representative” means, with respect to any Person, any officer, director, employee, representative (including any financial, legal or other advisor) or agent of such Person or of any of its Subsidiaries.

"Required Shareholder Approval" has the meaning ascribed thereto under "The Arrangement - Shareholders' Approval of the Arrangement".

"Resident Holders" has the meaning ascribed thereto under "Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada".

"RESP" has the meaning ascribed to it under "Eligibility for Investments".

"Restricted Information" has the meaning ascribed to it under "Arrangement Agreement – Covenants Regarding Non-Solicitation - Responding to an Acquisition Proposal".

"Reverse Termination Fee" has the meaning ascribed to it under "Arrangement Agreement – Termination Fees – Purchaser Reverse Termination Fee".

"Reverse Termination Fee Event" has the meaning ascribed to it under "Arrangement Agreement – Termination Fees – Purchaser Reverse Termination Fee".

"Rights Plan" means the amended and restated shareholder rights plan agreement dated as of March 16, 2017, between the Corporation and CST Trust Company, as rights agent.

"RRIF" has the meaning ascribed to it under "Eligibility for Investments".

"RRSP" has the meaning ascribed to it under "Eligibility for Investments".

"RSU Plan" means the Corporation's Restricted Share Unit Plan adopted effective as of November 1, 2016, and last amended on December 13, 2017.

"RSUs" means all outstanding restricted share units issued under the RSU Plan.

"Seasonal Aircraft" means, as of the date of the Arrangement Agreement, the Aircraft listed in the Corporation Disclosure Letter, and, thereafter, such other Aircraft as may be leased by the Corporation or one or more of its Subsidiaries for not more than one continuous period of up to six (6) months.

"SEC" means the Securities and Exchange Commission of the United States.

"Securities Authority" means the AMF and any other applicable securities commissions or securities regulatory authority of a province or territory of Canada and the TSX.

"Securities Laws" means the *Securities Act* (Québec) together with all other applicable securities Laws, rules, and regulations and published policies thereunder or under the securities Laws of any other province or territory of Canada, and the rules and policies of the TSX.

"Securityholders" means, collectively, the Shareholders and the holders of Incentive Securities.

"SEDAR" means the System for Electronic Document Analysis and Retrieval maintained on behalf of the Securities Authorities.

"Senior Management" means the members of the executive leadership team of the Corporation, which is currently comprised of (i) the Co-founder, Chairman of the Board, President and Chief Executive Officer

of the Corporation; (ii) the Chief Operating Officer of the Corporation; (iii) the President, Hotel Division of the Corporation; (iv) the President-General Manager of Air Transat; (v) the President, Transat Distribution Canada and Vice-President and Chief Distribution Officer of the Corporation; (vi) the Vice-President and Chief Information Officer of the Corporation; (vii) the Vice-President, General Counsel and Corporate Secretary of the Corporation; (viii) the Vice-President, Human Resources and Corporate Affairs of the Corporation; (ix) the Senior Vice President and Advisor to the President of the Corporation; and (x) the Vice-President, Finance and Administration and Chief Financial Officer of the Corporation.

"Share Consideration" means: (A) with respect to a Class A Variable Voting Share in the capital of the Corporation, 0.2862 Air Canada Variable Voting Share; and (B) with respect to a Class B Voting Share in the capital of the Corporation, 0.2862 Air Canada Voting Share.

"Shareholders" means the registered or beneficial holders of the Voting Shares, as the context requires.

"Spare Engine" means an Aircraft engine together with all parts installed on, incorporated or contained in, attached or appurtenant to, such engine and which form part or shall be deemed to form part of the engine, and which engine was acquired by the Corporation or one of its Subsidiaries as a spare engine, regardless of whether such engine is installed on an Aircraft at any given time.

"Special Committee" means the special committee of independent members of the Board formed in relation with the transactions contemplated by the Arrangement Agreement being comprised of independent directors, namely Jean-Yves Leblanc (Chair), Raymond Bachand, W. Brian Edwards, Jacques Simoneau and Philippe Sureau.

"Specified Assets" means the current assets of the Corporation and its Subsidiaries on a consolidated basis comprised of the following: cash and cash equivalents, cash and cash equivalents in trust or otherwise reserved, trade and other receivables and prepaid expenses, in each case, as determined in accordance with IFRS as applied by the Corporation and its Subsidiaries on a basis consistent with their past practices.

"Specified Indebtedness" means with respect to any Person, without duplication (a) any obligation or liability of such Person in respect of trade and other payables (including any obligation or liability of such Person in respect of COVID-19 Measures, including to repay or reimburse any COVID-19 related subsidy, grant or similar incentive (including Tax incentives and Tax liabilities being deferred related to COVID-19 Tax measures and CEWS)), (b) any obligation or liability of such Person in respect of put or call options under any shareholder, joint venture or other similar arrangement to which such Person is a party, (c) any obligation or liability of such Person in respect of measures taken (including the amounts of any payments that are deferred) in connection with Aircraft leases and conditional sale agreements and all other Contracts relating to the purchase, sale, lease, sublease or financing of Aircraft, Aircraft Engines, Spare Engines or Parts and real property leases, and (d) all current liabilities of such Person as determined in accordance with IFRS, excluding the amount of any item otherwise identified in this definition of "Specified Indebtedness"; provided that, for the avoidance of doubt, "Specified Indebtedness" shall exclude the amount of any item identified in this definition of "Specified Indebtedness" that is included in the definition of "Indebtedness".

"Specified Transaction" means a transaction described in the Corporation Disclosure Letter.

"Stock Exchange Approval" means the conditional approval of the TSX to list the Air Canada Shares to be issued pursuant to the Arrangement, subject only to the Purchaser providing the TSX such required documentation and confirmations as is customary in the circumstances.

"Stock Option Plans" means (i) the Corporation's 2016 Stock Option Plan adopted effective as of January 13, 2016, as amended, (ii) the Corporation's 2009 Stock Option Plan adopted effective as of January 14, 2009, as amended, and (iii) the Corporation's 1995 Stock Option Plan adopted effective as of December 5, 1995, as amended.

"Subject Securities" has the meaning ascribed to it under "The Arrangement - Support and Voting Agreements".

"Subordinated Loan Facility" has the meaning ascribed thereto under Question 19 of "Information Regarding the Meeting – Your Questions and our Answers on Proxy Voting".

"Subsidiary" has the meaning ascribed thereto in Regulation 45-106 as in effect on the date of the Arrangement Agreement. "Subsidiary", when used in reference to the Corporation, shall also include the Joint Venture Subsidiary.

"Superior Proposal" means any unsolicited *bona fide* written Acquisition Proposal from a Person or group of Persons to acquire not less than all of the outstanding Voting Shares or all or substantially all of the assets of the Corporation on a consolidated basis that:

(a) complies with Securities Laws and did not result from or involve a breach of the covenants of the Corporation regarding non-solicitation in the Arrangement Agreement;

(b) is reasonably capable of being completed without undue delay, taking into account, all financial, legal, regulatory and other aspects of such proposal and the Person or group of Persons making such proposal and their respective affiliates;

(c) is made by a Person or group of Persons who has demonstrated to the satisfaction of the Board, acting in good faith (after receipt of advice from its financial advisors and its outside legal counsel), that it has (i) adequate cash on hand and/or (ii) fully committed financing from a bank or other recognized and reputable financial institution, fund or organization that makes debt or equity investments or financing as part of its usual activities, and that is not subject to any condition or contingency other than usual closing conditions, required to complete such Acquisition Proposal at the time and on the basis set out therein;

(d) is not subject to any due diligence or access condition;

(e) provides for a consideration payable in cash per Voting Share which is equal to or greater than $6.00; and

(f) the Board determines in its good faith judgment, after receiving the advice of its outside legal and financial advisors and after taking into account all the terms and conditions of the Acquisition Proposal, including all legal, financial, regulatory and other aspects of such Acquisition Proposal and the Person or group of Persons making such Acquisition Proposal and their respective affiliates, would, if consummated in accordance with its terms and taking into account the risk of

non-completion and other factors deemed relevant by the Board (including the post-acquisition leverage level), result in a transaction which is (i) in the best interests of the Corporation and its stakeholders, and (ii) more favourable, from a financial point of view, to the Shareholders than the Arrangement (including any amendments to the terms and conditions of the Arrangement proposed by the Purchaser pursuant to its right to match under the Arrangement Agreement).

"Superior Proposal Notice" has the meaning ascribed to it under "Arrangement Agreement - Covenants Regarding Non-Solicitation — Right to Match".

"Supplementary Information Request" has the meaning ascribed thereto under "Certain Legal Matters - Regulatory Matters – Competition Act Approval".

"Support and Voting Agreements" means the support and voting agreements between the Purchaser, on the one hand, and all of the directors and Executive Officers of the Corporation, on the other hand.

"Tax Act" means the *Income Tax Act* (Canada), including the regulations promulgated thereunder, as amended from time to time.

"taxable capital gain" has the meaning ascribed thereto under "Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Sale of Voting Shares for the Cash Consideration".

"Tax Adjustment" has the meaning ascribed thereto under "Arrangement Agreement – Covenants - Covenants Relating to Tax Matters".

"Tax Returns" means any and all returns, reports, declarations, elections, notices, forms, designations, filings, and statements (including estimated tax returns and reports, withholding tax returns and reports, and information returns and reports) filed or required to be filed in respect of Taxes.

"Taxes" means (a) any and all taxes, duties, fees, excises, premiums, assessments, imposts, levies and other charges or assessments of any kind whatsoever imposed by any Governmental Entity or Corporation Airport, whether computed on a separate, consolidated, unitary, combined or other basis, including those levied on, or measured by, or described with respect to, income, gross receipts, profits, gains, windfalls, capital, capital stock, production, volume, quantity, recapture, transfer, land transfer, license, gift, occupation, wealth, environment, net worth, Indebtedness, surplus, sales, goods and services, harmonized sales, use, value-added, fuel, carbon, Ticket Taxes, excise, special assessment, stamp, withholding, business, franchising, real, immovable or personal or movable property, health, employee health, payroll, workers' compensation, employment or unemployment, severance, social services, social security, education, utility, surtaxes, customs, import or export, and including all license and registration fees and all employment insurance, health insurance and government pension plan premiums or contributions and any special COVID-19 tax relief (including, for greater certainty, CEWS); (b) all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Entity on or in respect of amounts of the type described in clause (a) above or this clause (b); (c) any liability for the payment of any amounts of the type described in clause (a) or (b) as a result of being a member of an affiliated, consolidated, combined or unitary group for any period; and (d) any liability for the payment of any amounts of the type described in clause (a) or (b) as a result of any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any party.

"Terminating Party" has the meaning ascribed thereto under "Arrangement Agreement - Covenants - Notice and Cure Provisions".

"Termination Fee" has the meaning ascribed thereto under "Arrangement Agreement- Termination Fees - Corporation Termination Fee".

"Termination Fee Event" has the meaning ascribed thereto under "Arrangement Agreement - Termination Fees - Corporation Termination Fee".

"Termination Notice" has the meaning ascribed thereto under "Arrangement Agreement - Covenants - Notice and Cure Provisions".

"TFSA" has the meaning ascribed to it under "Eligibility for Investments".

"Ticket Taxes" means any and all taxes, fees and charges, for which a tax code is issued and defined by the International Air Transport Association, applicable to the sale, issuance or usage of a passenger transportation ticket as per any applicable Law or contract of any worldwide jurisdiction.

"Total Indebtedness" means the sum of (a) the aggregate Indebtedness (disregarding for this purpose any indebtedness related to capital leases) of the Corporation and its Subsidiaries, on a consolidated basis; and (b) the aggregate Specified Indebtedness of the Corporation and its Subsidiaries, on a consolidated basis.

"Transaction Litigation" means any proceeding (other than a proceeding relating to any Key Regulatory Approval or Other Regulatory Approval) asserted or commenced by, on behalf of or in the name of, a third party against or otherwise involving the Purchaser, the Corporation, the Board, any committee thereof and/or any of the Corporation's directors or officers relating directly or indirectly to the Arrangement, the Arrangement Agreement or any of the other transactions contemplated thereby (including any such proceeding based on allegations that the Corporation's entry into the Arrangement Agreement or the terms and conditions of the Arrangement, the Arrangement Agreement or any of the other transactions contemplated thereby constituted a breach of the fiduciary duties of any member of the Board or any officer of the Corporation).

"Transfer" has the meaning ascribed to it under "The Arrangement - Support and Voting Agreements".

"Treaty" has the meaning ascribed to it under "Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Sale of Voting Shares – Dividends on Air Canada Shares".

"TSX" means the Toronto Stock Exchange.

"UK" means United Kingdom.

"Union" means any trade union, bargaining agent, certified association or other organization certified to represent or recognized as representing Employees.

"U.S. Securities Act" means the *United States Securities Act of 1933*, as amended.

“Voting Shares” means, collectively, the Class A variable voting shares and the Class B voting shares of Transat, and a "Voting Share" means any of a Class A variable voting share and a Class B voting share of Transat.

“Willful Breach” means with respect to any representation, warranty, agreement or covenant in the Arrangement Agreement, a breach of the Arrangement Agreement that is a consequence of an act or omission by the Breaching Party with the actual knowledge that the taking of such act or failure to act, as applicable, would, or would be reasonably expected to, cause a breach of the Arrangement Agreement.

CONSENT OF NATIONAL BANK FINANCIAL INC.

To the Special Committee of the Board of Transat A.T. Inc.

We refer to the fairness opinion of our firm dated October 9, 2020 (the "**NBF Fairness Opinion**") forming part of the management proxy circular dated November 12, 2020 (the "**Circular**") of Transat A.T. Inc. ("**Transat**") which we prepared for the Special Committee and the Board of Transat in connection with the Arrangement (as defined in the Circular). We hereby consent to the filing of text of the NBF Fairness Opinion with the securities regulatory authorities in the provinces of Canada and the inclusion of the NBF Fairness Opinion, and all references thereto, in the Circular.

Montréal, Québec

November 12, 2020

National Bank Financial Inc.

NATIONAL BANK FINANCIAL INC.

CONSENT OF BMO NESBITT BURNS INC.

To the Board of Directors (the "**Board**") and the Special Committee of the Board of Directors of Transat A.T. Inc. ("**Transat**")

We refer to the fairness opinion of our firm dated October 9, 2020 (the "**BMO Fairness Opinion**") included as Schedule D of the management proxy circular dated November 12, 2020 (the "**Circular**") of Transat which we prepared for the Board and the special committee of the Board of Transat in connection with the Arrangement (as defined in the Circular). We hereby consent to the filing of the text of the BMO Fairness Opinion with the securities regulatory authorities in the provinces of Canada, the inclusion of the BMO Fairness Opinion, and all references thereto, in the Circular, the inclusion of a summary of, and references to, the BMO Fairness Opinion in the Circular, and the use of our name in the Circular.

BMO Nesbitt Burns Inc.

Montréal, Québec

November 12, 2020

CONSENT OF FASKEN MARTINEAU DUMOULIN LLP

We have read the management proxy circular (the "Circular") of Transat A.T. Inc. ("Transat") dated November 12, 2020, relating to the special meeting of shareholders of Transat to approve an arrangement under the *Canada Business Corporations Act* between Transat and Air Canada. We consent to the inclusion in the Circular of our opinion contained under the sections "Certain Canadian Federal Income Tax Considerations" and "Eligibility for Investments" and references to our firm's name therein.

Fasken Martineau DuMoulin LLP

Montréal, Québec

November 12, 2020

SCHEDULE A

ARRANGEMENT RESOLUTION

BE IT RESOLVED THAT:

(1) The arrangement (the "Arrangement") under Section 192 of the Canada Business Corporations Act (the "CBCA") of Transat A.T. Inc. (the "Corporation"), pursuant to the arrangement agreement (as it may from time to time be amended, modified or supplemented, the "Arrangement Agreement") between the Corporation and Air Canada dated October 9, 2020, all as more particularly described and set forth in the management proxy circular of the Corporation dated November 12, 2020 (the "Circular") accompanying this notice of meeting and as it may from time to time be amended, modified or supplemented in accordance with the Arrangement Agreement, is hereby authorized, approved and adopted.

(2) The plan of arrangement (as it has been or may be amended, modified or supplemented in accordance with the Arrangement Agreement and its terms, the "Plan of Arrangement"), the full text of which is set out as Schedule B to the Circular, is hereby authorized, approved and adopted.

(3) The (i) Arrangement Agreement and all transactions contemplated therein, (ii) actions of the directors of the Corporation in approving the Arrangement Agreement, and (iii) actions of the directors and officers of the Corporation in executing and delivering the Arrangement Agreement, and any amendments, modifications or supplements thereto, are hereby ratified and approved.

(4) Notwithstanding that this resolution has been passed (and the Arrangement adopted) by the shareholders of the Corporation or that the Arrangement has been approved by the Québec Superior Court (the "Court"), the directors of the Corporation are hereby authorized and empowered, at their discretion, without notice to or approval of the shareholders of the Corporation, (i) to amend, modify or supplement the Arrangement Agreement or the Plan of Arrangement to the extent permitted thereby, and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement and any related transactions.

(5) Any director or officer of the Corporation is hereby authorized and directed for and on behalf of the Corporation to make or cause to be made an application to the Court for an order approving the Arrangement and to execute and deliver or cause to be executed and delivered, for filing with the Director under the CBCA, articles of arrangement and all such other documents and instruments as are necessary or desirable to give effect to the Arrangement in accordance with the Arrangement Agreement, such determination to be conclusively evidenced by the execution and delivery of such articles of arrangement or any such other document or instrument.

(6) Any director or officer of the Corporation is hereby authorized and directed for and on behalf of the Corporation to execute and deliver or cause to be executed and delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as such person determines may be necessary or desirable to give full force and effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such other document or instrument or the doing of any other such act or thing.

SCHEDULE B
PLAN OF ARRANGEMENT

PLAN OF ARRANGEMENT UNDER SECTION 192
OF THE *CANADA BUSINESS CORPORATIONS ACT*

ARTICLE 1
INTERPRETATION

Section 1.1 Definitions

Unless indicated otherwise, where used in this Plan of Arrangement, capitalized terms used but not defined shall have the meanings specified in the Arrangement Agreement and the following terms shall have the following meanings (and grammatical variations of such terms shall have corresponding meanings):

"**Arrangement**" means the arrangement under Section 192 of the CBCA in accordance with the terms and subject to the conditions set out in this Plan of Arrangement, subject to any amendments or variations made to the Plan of Arrangement in accordance with its terms, the terms of the Arrangement Agreement or made at the direction of the Court in the Final Order with the prior written consent of the Corporation and the Purchaser, each acting reasonably.

"**Arrangement Agreement**" means the arrangement agreement dated as of October 9, 2020 among the Purchaser and the Corporation (including the schedules thereto) as it may be amended, modified or supplemented from time to time in accordance with its terms.

"**Arrangement Resolution**" means the special resolution approving this Plan of Arrangement to be considered at the Meeting, substantially in the form of Schedule B to the Arrangement Agreement.

"**Articles of Arrangement**" means the articles of arrangement of the Corporation in respect of the Arrangement required by the CBCA to be sent to the Director after the Final Order is made, which shall include the Plan of Arrangement and otherwise be in a form and content satisfactory to the Corporation and the Purchaser, each acting reasonably.

"**Business Day**" means any day of the year, other than a Saturday, Sunday or any day on which major banks are closed for business in Montreal, Québec or Winnipeg, Manitoba.

"**Cash Consideration**" means the cash consideration to be received by the Shareholders pursuant to this Plan of Arrangement, consisting of $5.00 in cash per Share, without interest.

"**CBCA**" means the *Canada Business Corporations Act*.

"**Certificate of Arrangement**" means the certificate of arrangement to be issued by the Director pursuant to Subsection 192(7) of the CBCA in respect of the Articles of Arrangement.

"**Circular**" means the notice of the Meeting and accompanying management information circular, including all schedules, appendices and exhibits thereto, to be sent to each Shareholder and other Persons as required by the Interim Order and Law in connection with the Meeting, as amended, modified or supplemented from time to time in accordance with the terms of the Arrangement Agreement.

"**Class A Variable Voting Shares**" means the class A variable voting shares in the capital of the Corporation.

"**Class B Voting Shares**" means the class B voting shares in the capital of the Corporation.

"**Corporation**" means Transat A.T. Inc., a corporation existing under the laws of Canada.

"**Court**" means the Québec Superior Court.

"**Depositary**" means, in its capacity as depositary for the Arrangement, such Person as the Corporation and the Purchaser agree to engage as depositary for the Arrangement.

"**Director**" means the Director appointed pursuant to Section 260 of the CBCA.

"**Dissent Rights**" has the meaning specified in Section 3.1.

"**Dissenting Holder**" means a registered Shareholder who has validly exercised its Dissent Rights and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights.

"**DSU Plans**" means the Corporation's Deferred Share Unit Plan for the benefit of senior management adopted effective as of May 18, 2004 and amended on June 8, 2005 and September 26, 2007 and the Corporation's Deferred Share Unit Plan for the benefit of independent directors adopted effective as of March 19, 2003 and amended on June 8, 2005, January 18, 2006, January 13, 2016, December 13, 2017 and June 13, 2018.

"**DSUs**" means all outstanding deferred share units issued under the DSU Plans.

"**Effective Date**" means the date shown on the Certificate of Arrangement giving effect to the Arrangement.

"**Effective Time**" means 12:01 a.m. (Montreal time) on the Effective Date, or such other time as the Parties agree to in writing before the Effective Date.

"**Election Date**" has the meaning specified in Section 2.4(2).

"**Exchange**" means the Toronto Stock Exchange.

"**Final Order**" means the final order of the Court in a form acceptable to the Corporation and the Purchaser, each acting reasonably, approving the Arrangement, as such order may be amended by the Court (with the consent of both the Corporation and the Purchaser, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both the Corporation and the Purchaser, each acting reasonably) on appeal.

"**Governmental Entity**" means (a) any international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, cabinet, board, bureau, minister, ministry, agency or instrumentality, domestic or foreign; (b) any subdivision, agent or authority of any of the foregoing; (c) any quasi-governmental or private body including any tribunal, commission, regulatory agency or self-regulatory organization exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing, including authorities and agencies having regulatory powers in respect of transportation and aviation matters such as the Aviation Authorities; or (d) any Securities Authority or stock exchange, including the Exchange.

"**Incentive Securities**" means, collectively, the Options, the DSUs, the PSUs and the RSUs.

"**Interim Order**" means the interim order of the Court in a form acceptable to the Corporation and the Purchaser, each acting reasonably, providing for, among other things, the calling and holding of the Meeting, as such order may be amended by the Court with the consent of the Corporation and the Purchaser, each acting reasonably.

"**Law**" means, with respect to any Person, any and all applicable national, federal, provincial, state, municipal or local law (statutory, common, civil or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, Order, injunction, judgment, award, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities (including for greater certainty the *Transportation Modernization Act*), and to the extent that they have the force of law or are binding on or affecting the Person to which they purport to apply, policies, guidelines, bulletins and enforcement advisories, standards, notices and protocols of any Governmental Entity, as amended.

"**Letter of Transmittal**" means the letter of transmittal and election form sent to the Shareholders for use in connection with the Arrangement.

"**Lien**" means any mortgage, charge, pledge, hypothec, security interest, international interest, prior claim, encroachments, option, right of first refusal or first offer, occupancy right, covenant, assignment, lien (statutory or otherwise), defect of title, or restriction or adverse right or claim, or other third party interest or encumbrance of any kind, in each case, whether contingent or absolute, including any right of a lessor under a capital or financing lease and any other lease financing.

"**Meeting**" means the special meeting of the Shareholders, including any adjournment or postponement of such special meeting in accordance with the terms of the Arrangement Agreement, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution and for any other purpose as may be set out in the Circular and agreed to in writing by the Purchaser.

"**Options**" means all outstanding options to purchase Shares issued pursuant to the Stock Option Plans.

"**Parties**" means the Corporation and the Purchaser and "**Party**" means any one of them.

"**Person**" includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including Governmental Entity), syndicate or other entity, whether or not having legal status.

"**Plan of Arrangement**" means this plan of arrangement proposed under Section 192 of the CBCA, and any amendments or variations to this plan of arrangement made in accordance with its terms, the terms of the Arrangement Agreement or made at the direction of the Court in the Final Order with the prior written consent of the Corporation and the Purchaser, each acting reasonably.

"**PSU Plan**" means the Corporation's Performance Share Units Plan adopted effective as of January 1, 2015 and last amended on December 13, 2017.

"**PSUs**" means all outstanding performance share units issued under the PSU Plan.

"**Purchaser**" means Air Canada, a corporation existing under the laws of Canada or, in accordance with Section 8.12 of the Arrangement Agreement, any of its successors or permitted assigns.

"**Purchaser Share Adjustment Event**" means, in respect of the Purchaser Shares, the occurrence of any of the following events approved by the Purchaser's board of directors: (1) a subdivision, consolidation or reclassification of the Purchaser Shares, (2) a distribution, issue or dividend generally to all existing holders of Purchaser Shares of (a) Purchaser Shares, or (b) other share capital or securities of the Purchaser granting the right to payment of dividends or distributions by the Purchaser and/or the proceeds of liquidation of the Purchaser equally or proportionately with such payments to holders of such Purchaser Shares, or (c) share capital or other securities of another issuer owned or acquired (in each case, directly or indirectly) by the Purchaser as a result of a spin-off or other similar general distribution to all existing holders of Purchaser Shares, or (3) an event that results in any shareholder rights being distributed or becoming separated from Purchaser Shares pursuant to a shareholder rights plan approved

by the Purchaser, provided that any adjustment effected as a result of such an event will be readjusted to the extent of any redemption of such rights.

"**Released Parties**" means, collectively, the Corporation, the Purchaser and their respective Subsidiaries and Affiliates and their respective present and former shareholders, officers, directors, trustees, employees, auditors, financial advisors, legal counsel and agents.

"**Rights Agent**" means CST Trust Company.

"**Rights Plan**" means the amended and restated shareholder rights plan agreement dated as of March 16, 2017 between the Corporation and the Rights Agent, as rights agent.

"**RSU Plan**" means the Corporation's Restricted Share Unit Plan adopted effective as of November 1, 2016 and last amended on December 13, 2017.

"**RSUs**" means all outstanding restricted share units issued under the RSU Plan.

"**Securities Authority**" means the *Autorité des marchés financiers* (Québec) and any other applicable securities commissions or securities regulatory authority of a province or territory of Canada and the Exchange.

"**Securityholders**" means, collectively, the Shareholders and the holders of Incentive Securities.

"**Share Consideration**" means the share consideration to be received by the Shareholders pursuant to this Plan of Arrangement, consisting of (i) with respect to a Class A Variable Voting Share in the capital of the Corporation, 0.2862 class A variable voting share in the capital of the Purchaser; and (ii) with respect to a Class B Voting Share in the capital of the Corporation, 0.2862 class B voting share in the capital of the Purchaser.

"**Shareholders**" means the registered or beneficial holders of the Shares, as the context requires.

"**Shares**" means, collectively, the Class A Variable Voting Shares and the Class B Voting Shares, and a "**Share**" means any of a Class A Variable Voting Share and a Class B Voting Share.

"**Stock Option Plans**" means (i) the Corporation's 2016 Stock Option Plan adopted effective as of January 13, 2016, as amended, (ii) the Corporation's 2009 Stock Option Plan adopted effective as of January 14, 2009, as amended, and (iii) the Corporation's 1995 Stock Option Plan adopted effective as of December 5, 1995, as amended.

"**Tax Act**" means the *Income Tax Act* (Canada).

"**Terminated Arrangement Agreement**" means the arrangement agreement dated as of June 27, 2019, among the Purchaser and the Corporation (including the schedules thereto) as amended, which has been terminated pursuant to the terms of the Arrangement Agreement, and includes all facts, circumstances, decisions and process concluding in such termination.

Section 1.2 Certain Rules of Interpretation

In this Plan of Arrangement, unless otherwise specified:

(1) **Headings, etc.** The division of this Plan of Arrangement into Articles and Sections and the insertion of headings are for convenient reference only and do not affect the construction or interpretation of this Plan of Arrangement.

(2) **Currency.** All references to dollars or to $ are references to Canadian dollars.

(3) **Gender and Number.** Any reference to gender includes all genders. Words importing the singular number only include the plural and vice versa.

(4) **Certain Phrases and References, etc.** The words (i) "including", "includes" and "include" mean "including (or includes or include) without limitation," (ii) "the aggregate of", "the total of", "the sum of", or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of," and (iii) unless stated otherwise, "Article" and "Section", followed by a number or letter mean and refer to the specified Article or Section of this Plan of Arrangement. The terms "Plan of Arrangement", "hereof", "herein" and similar expressions refer to this Plan of Arrangement (as it may be amended, modified or supplemented from time to time) and not to any particular article, section or other portion hereof and include any instrument supplementary or ancillary hereto.

(5) **Statutes.** Any reference to a Law refers to such statute and all rules and regulations made under it, as it or they may have been or may from time to time be amended or re-enacted, unless stated otherwise.

(6) **Computation of Time.** A period of time is to be computed as beginning on the day following the event that began the period and ending at 4:30 p.m. on the last day of the period, if the last day of the period is a Business Day, or at 4:30 p.m. on the next Business Day if the last day of the period is not a Business Day.

(7) **Date for Any Action.** If the date on which any action is required or permitted to be taken under this Plan of Arrangement by a Person is not a Business Day, such action shall be required or permitted to be taken on the next succeeding day which is a Business Day.

(8) **Time References.** References to time are to local time, Montreal, Québec.

ARTICLE 2
THE ARRANGEMENT

Section 2.1 Arrangement Agreement

This Plan of Arrangement constitutes an arrangement under Section 192 of the CBCA and is made pursuant to, and is subject to the provisions of, the Arrangement Agreement.

Section 2.2 Binding Effect

This Plan of Arrangement and the Arrangement, upon the filing of the Articles of Arrangement and the issuance of the Certificate of Arrangement, will become effective, and be binding on the Purchaser, the Corporation, all Shareholders (including Dissenting Holders), all holders of Incentive Securities, the registrar and transfer agent of the Corporation, the Depositary and the Rights Agent at and after the Effective Time, without any further act or formality required on the part of any Person, except as expressly provided in this Plan of Arrangement.

Section 2.3 Arrangement

Pursuant to the Arrangement, each of the following events shall occur and shall be deemed to occur sequentially as set out below without any further authorization, act or formality, in each case, unless stated otherwise, effective at five-minute intervals starting at the Effective Time:

(1) notwithstanding the terms of the Rights Plan, the Rights Plan shall be terminated, and all rights issued pursuant to the Rights Plan shall be cancelled without any payment in respect thereof;

(2) each unvested Option, DSU, PSU and RSU shall, notwithstanding the terms of any Incentive Plan or any option, award or similar agreement pursuant to which any Incentive Securities were

granted or awarded, as applicable, be deemed to have been vested, and the following transactions shall occur simultaneously:

(a) each outstanding Option shall, without any further action by or on behalf of the holder thereof, be deemed to be assigned and surrendered by such holder to the Corporation in exchange for, in respect of each Option for which the Cash Consideration exceeds the exercise price, an amount equal to the Cash Consideration less the applicable exercise price in respect of such Option, less any applicable withholdings pursuant to Section 4.3, and such Option shall immediately be cancelled. For greater certainty, where the exercise price of any Option is greater than the Cash Consideration, neither the Corporation nor the Purchaser shall be obligated to pay the holder of such Option the Cash Consideration or any other amount in respect of such Option, and the Option shall be immediately cancelled and surrendered for no consideration;

(b) each outstanding DSU, PSU and RSU shall, without any further action by or on behalf of the holder thereof, be deemed to be transferred by such holder to the Corporation in exchange for the Cash Consideration, in each case, less any applicable withholdings pursuant to Section 4.3, and each such DSU, PSU or RSU shall immediately be cancelled;

(c) (i) each holder of Incentive Securities shall cease to be a holder of such Incentive Securities, (ii) such holder's name shall be removed from each applicable register, (iii) the Incentive Plans and any and all option, award or similar agreements relating to the Incentive Securities shall be terminated and shall be of no further force and effect, and (iv) such holder shall thereafter have only the right to receive the consideration, if any, to which it is entitled pursuant to Section 2.3(2)(a) or Section 2.3(2)(b), as applicable, at the time and in the manner specified in such Section;

(3) each outstanding Share held by a Dissenting Holder in respect of which Dissent Rights have been validly exercised shall be deemed to have been transferred without any further act or formality by the holder thereof to the Purchaser, and:

(a) such Dissenting Holder shall cease to be the holder of such Share and to have any rights as a Shareholder, other than the right to be paid the fair value of its Shares by the Purchaser in accordance with Section 3.1;

(b) such Dissenting Holder's name shall be removed from the register of holders of Shares maintained by or on behalf of the Corporation; and

(c) the Purchaser shall be recorded in the register of holders of Shares maintained by or on behalf of the Corporation as the holder of the Shares so transferred, and shall be deemed to be the legal and beneficial owner thereof; and

(4) concurrently with step (3) above, subject to Section 2.5, each outstanding Share (other than Shares held by Dissenting Holders who have validly exercised their respective Dissent Rights) shall be transferred without any further act or formality by the holder thereof to the Purchaser in exchange for, as determined pursuant to Section 2.4, either (i) the Cash Consideration; or (ii) the Share Consideration, less any applicable withholdings pursuant to Section 4.3, as applicable, and:

(a) the holder of such Share shall cease to be the holder thereof and to have any rights as a Shareholder other than the right to receive the Cash Consideration or the Share Consideration, as applicable, in accordance with this Plan of Arrangement;

(b) such holder's name shall be removed from the register of holders of Shares maintained by or on behalf of the Corporation; and

(c) the Purchaser shall be recorded in the register of holders of Shares maintained by or on behalf of the Corporation as the holder of the Shares so transferred, and shall be deemed to be the legal and beneficial owner thereof.

Section 2.4 Election.

(1) With respect to the transfer of Shares effected pursuant to Section 2.3(4):

(a) each Shareholder may elect to receive in respect of each Share transferred, the Cash Consideration or the Share Consideration;

(b) such election, as provided for in Section 2.4(1)(a), shall be made by depositing with the Depositary, on or before the Election Date, a duly completed Letter of Transmittal indicating such Shareholder's election, together with, as applicable, any certificates representing such Shareholder's Shares; and

(c) any Shareholder who does not deposit with the Depositary a duly completed Letter of Transmittal on or before the Election Date, or otherwise fails to comply with the requirements of Section 2.4(2) and the Letter of Transmittal, shall be deemed to have elected to receive for each Share, the Cash Consideration.

(2) Letters of Transmittal must be received by the Depositary on or before the date that is two Business Days prior to the Effective Date (the "**Election Date**"), unless otherwise agreed in writing by the Purchaser and the Corporation.

(3) Any Letter of Transmittal, once deposited with the Depositary, shall be irrevocable and may not be withdrawn by a Shareholder.

Section 2.5 No Fractional Purchaser Shares and Rounding of Cash Consideration.

(1) In no event shall a Shareholder be entitled to a fractional Purchaser Share. Where the aggregate number of Purchaser Shares to be issued to a Shareholder pursuant to Section 2.3(4) would result in a fraction of a Purchaser Share being issuable, (a) the number of Purchaser Shares to be received by such Shareholder shall be rounded down to the nearest whole Purchaser Share, and (b) such Shareholder shall receive a cash payment (rounded down to the nearest cent) equal to the product of the (i) $17.47 and (ii) the fractional share amount.

(2) If the aggregate cash amount which a Shareholder is entitled to receive pursuant to Section 2.3(4) would otherwise include a fraction of $0.01, then the aggregate cash amount to which such Shareholder shall be entitled to receive shall be rounded up to the nearest whole $0.01.

Section 2.6 Adjustments to Share Consideration under Certain Circumstances.

The ratio of Purchaser Shares issuable for each Share as part of the Share Consideration shall be adjusted proportionally and equitably to eliminate the effects of a Purchaser Share Adjustment Event on the Share Consideration for a Purchaser Share Adjustment Event that occurs after the date of the Arrangement Agreement and prior to the Effective Time.

ARTICLE 3
DISSENT RIGHTS

Section 3.1 Dissent Rights

(1) Registered holders of Shares may exercise dissent rights ("**Dissent Rights**") in connection with the Arrangement pursuant to and in the manner set forth in Section 190 of the CBCA, as modified by the Interim Order, the Final Order and this Section 3.1, provided that, notwithstanding Subsection 190(5) of the CBCA, the written objection to the Arrangement Resolution referred to in Subsection 190(5) of the CBCA must be received by Corporation at its registered office no later than 5:00 p.m. (local time in place of receipt) two Business Days immediately preceding the date of the Meeting (as it may be adjourned or postponed from time to time).

(2) Dissenting Holders who duly exercise their Dissent Rights shall be deemed to have transferred the Shares held by them to the Purchaser, as provided in Section 2.3(3), and if they:

(a) are ultimately entitled to be paid fair value for such Shares, shall be entitled to be paid the fair value of such Shares by the Purchaser, less any applicable withholdings pursuant to Section 4.3, which fair value, notwithstanding anything to the contrary in Part XV of the CBCA, shall be determined as of the close of business on the day before the Arrangement Resolution was adopted and will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such holders not exercised their Dissent Rights in respect of such Shares; or

(b) are ultimately not entitled, for any reason, to be paid the fair value for such Shares, shall be deemed to have participated in the Arrangement on the same basis as Shareholders who have not exercised Dissent Rights in respect of such Shares and shall be entitled to receive the Cash Consideration, less any applicable withholdings pursuant to Section 4.3.

Section 3.2 Recognition of Dissenting Holders

(1) In no case shall the Corporation, the Purchaser or any other Person be required to recognize a Person exercising Dissent Rights unless such Person is the registered holder of those Shares in respect of which such rights are sought to be exercised.

(2) In no case shall the Corporation, the Purchaser or any other Person be required to recognize any holder of Shares who exercises Dissent Rights as a holder of such Shares after the Effective Time.

(3) Shareholders who withdraw, or are deemed to withdraw, their right to exercise Dissent Rights shall be deemed to have participated in the Arrangement, as of the Effective Time, and shall be entitled to receive the Cash Consideration, less any applicable withholdings pursuant to Section 4.3.

(4) In addition to any other restrictions under Section 190 of the CBCA, none of the following shall be entitled to exercise Dissent Rights: (a) holders of Incentive Securities, and (b) Shareholders who vote or have instructed a proxyholder to vote Shares in favour of the Arrangement Resolution.

ARTICLE 4
CERTIFICATES AND PAYMENTS

Section 4.1 Payment and Delivery of Consideration

(1) Prior to the filing of the Articles of Arrangement, the Purchaser shall deposit, or arrange to be deposited, for the benefit of Shareholders (other than the Dissenting Holders), cash and

Purchaser Shares with the Depositary in the aggregate amount as is required by this Plan of Arrangement, with the amount per Share in respect of which Dissent Rights have been exercised being deemed to be the Cash Consideration for this purpose, net of any applicable withholdings pursuant to Section 4.3.

(2) Upon surrender to the Depositary of a certificate which immediately prior to the Effective Time represented outstanding Shares that were transferred pursuant to Section 2.3(4), together with a duly completed and executed Letter of Transmittal and such additional documents and instruments as the Depositary may reasonably require, the Shareholders represented by such surrendered certificate shall be entitled to receive in exchange therefor, and the Depositary shall deliver to such holder, (a) a cheque (or other form of immediately available funds) representing the cash amount that such Shareholder is entitled to receive under the Arrangement, or (b) the certificate(s) representing, or other evidence of, the Purchaser Shares that such Shareholder is entitled to receive under the Arrangement, or (c) any combination thereof, as applicable, less any amounts withheld pursuant to Section 4.3, and any certificate so surrendered shall forthwith be cancelled.

(3) As soon as practicable after the Effective Time, the Corporation shall deliver to each holder of Incentive Securities (in accordance with Section 2.3(2)), the cash payment, if any, net of any applicable withholdings pursuant to Section 4.3, that such holder is entitled to receive under the Arrangement, either (i) pursuant to the normal payroll practices and procedures of the Corporation, or (ii) in the event that payment pursuant to the normal payroll practices and procedures of the Corporation is not practicable for any such holder, by cheque (delivered to the address of such holder of Incentive Securities, as reflected on the register maintained by or on behalf of the Corporation in respect of the Incentive Securities).

(4) Until surrendered as contemplated by this Section 4.1, each certificate that immediately prior to the Effective Time represented Shares shall be deemed after the Effective Time to represent only the right to receive upon such surrender cash, Purchaser Shares or a combination thereof in lieu of such certificate as contemplated in this Section 4.1, less any amounts withheld pursuant to Section 4.3. Any such certificate formerly representing Shares not duly surrendered on or before the sixth (6^{th}) anniversary of the Effective Date shall cease to represent a claim by or interest of any former holder of Shares of any kind or nature against or in the Corporation or the Purchaser. On such date, all payments to which such former holder was entitled shall be deemed to have been surrendered to the Purchaser, and shall be paid over by the Depositary to the Purchaser or as directed by the Purchaser.

(5) Any payment made by the Depositary (or the Corporation, if applicable) in accordance with this Plan of Arrangement that has not been deposited or has been returned to the Depositary (or the Corporation) or that otherwise remains unclaimed, in each case, on or before the sixth (6^{th}) anniversary of the Effective Time, and any right or claim to payment hereunder that remains outstanding on the sixth (6^{th}) anniversary of the Effective Time shall cease to represent a right or claim of any kind or nature and the right of the holder to receive the applicable consideration for the Shares and the Incentive Securities in accordance with this Plan of Arrangement shall terminate and be deemed to be surrendered and forfeited to the Purchaser or the Corporation, as applicable, for no consideration.

(6) No holder of Shares or Incentive Securities shall be entitled to receive any consideration with respect to such Shares or Incentive Securities other than the consideration, if any, which such holder is entitled to receive in accordance with Section 2.3 and this Section 4.1 and, for greater certainty, no such holder shall be entitled to receive any interest, dividends, premium or other payment in connection therewith, other than, in respect of Shares, any declared but unpaid dividends with a record date prior to the Effective Date. No dividend or other distribution declared or made after the Effective Time with respect to any securities of the Corporation with a record date on or after the Effective Date shall be delivered to the holder of any unsurrendered certificate which, immediately prior to the Effective Date, represented outstanding Shares.

(7) Any dividends payable with respect to any Purchaser Shares allotted and issued pursuant to this Arrangement for which a certificate has not been issued shall be paid or delivered to the Depositary to be held by the Depositary in trust for the registered holder thereof. All monies received by the Depositary shall be invested by it in interest-bearing trust accounts upon such terms as the Depositary may reasonably deem appropriate. The Depositary shall pay and deliver to any such registered holder, as soon as reasonably practicable after application therefor is made by the registered holder to the Depositary in such form as the Depositary may reasonably require, such distributions and any interest thereon to which such holder is entitled, net of any applicable withholding pursuant to Section 4.3.

Section 4.2 Lost Certificates

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Shares that were transferred pursuant to Section 2.3 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed and who was listed immediately prior to the Effective Time as the registered holder thereof on the register of holders of Shares maintained by or on behalf of the Corporation, the Depositary shall deliver in exchange for such lost, stolen or destroyed certificate, the cash amount, the Purchaser Shares, or any combination thereof, to which such holder is entitled to receive for such Shares under this Plan of Arrangement in accordance with such holder's Letter of Transmittal. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the Person to whom such payment is to be delivered shall, as a condition precedent to the delivery of such payment, give a bond satisfactory to the Purchaser and the Depositary (each acting reasonably) in such sum as the Purchaser and the Depositary may direct, or otherwise indemnify the Corporation, the Depositary and the Purchaser in a manner satisfactory to the Corporation, the Depositary and the Purchaser (each acting reasonably), against any claim that may be made against the Corporation, the Depositary or the Purchaser with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 4.3 Withholding Rights

Each of the Purchaser, the Corporation and the Depositary shall be entitled to deduct and withhold from any amount payable to any Person under this Plan of Arrangement, such amounts as the Corporation, the Purchaser or the Depositary determines, acting reasonably, are required or permitted to be deducted and withheld with respect to such payment under the Tax Act, the United States Internal Revenue Code of 1986 or any provision of any other Law and shall remit such deduction and withholding to the appropriate Governmental Entity. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the Person in respect of which such withholding was made, provided that such amounts are actually remitted to the appropriate Governmental Entity.

Section 4.4 Calculations

All aggregate amounts of cash consideration to be received under this Plan of Arrangement will be calculated to the nearest cent ($0.01). All calculations and determinations made in good faith by the Corporation, the Purchaser or the Depositary, as applicable, for the purposes of this Plan of Arrangement shall be conclusive, final and binding.

Section 4.5 No Liens

Any exchange or transfer of securities, deemed or otherwise, in accordance with this Plan of Arrangement shall be free and clear of any Liens or other claims of third parties of any kind.

Section 4.6 Paramountcy

From and after the Effective Time: (a) this Plan of Arrangement shall take precedence and priority over any and all Shares and Incentive Securities issued or outstanding prior to the Effective Time, (b) the rights and obligations of the holders of Shares and Incentive Securities, the Corporation, the Purchaser, the Depositary, the Rights Agent and any registrar or transfer agent or other depositary therefor in relation thereto, shall be solely as provided for in this Plan of Arrangement, and (c) except as set forth in this Plan of Arrangement with respect to the payment of any consideration and the exercise of any Dissent Rights, all actions, causes of action, claims or proceedings (actual or contingent and whether or not previously asserted) based on or in any way relating to, arising out of, or in connection with, any Shares, Incentive Securities, the Terminated Arrangement Agreement, this Plan of Arrangement or the Arrangement shall be deemed to have been settled, compromised, released and determined without liability and each of the Released Parties shall be released and discharged from any and all actions, causes of action, claims or proceedings (actual or contingent and whether or not previously asserted), damages, demands and liabilities of any Person based on or in any way relating to, arising out of, or in connection with, the Shares, the Incentive Securities, the Terminated Arrangement Agreement, this Plan of Arrangement and the Arrangement.

ARTICLE 5
AMENDMENTS

Section 5.1 Amendments

(1) The Corporation and the Purchaser may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must (a) be set out in writing, (b) be approved by the Corporation and the Purchaser, each acting reasonably, and (c) be filed with the Court and, if made following the Meeting, approved by the Court.

(2) Notwithstanding Section 5.1(1), the Corporation and the Purchaser may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time without the approval of the Court or the Securityholders, provided that each such amendment, modification and/or supplement (a) must concern a matter which, in the reasonable opinion of each of the Corporation and the Purchaser, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement, and (b) is not adverse to the economic interests of any Securityholders.

(3) Subject to Section 5.1(2), any amendment, modification and/or supplement to this Plan of Arrangement may be proposed by the Corporation or the Purchaser at any time prior to or at the Meeting (provided that the Corporation or the Purchaser, as applicable, shall have consented thereto in writing) with or without any other prior notice or communication to the Shareholders, and if so proposed and voted upon by the Persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

(4) Subject to Section 5.1(2), the Corporation and the Purchaser may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time after the Meeting and prior to the Effective Time with the approval of the Court, and, if and as required by the Court, after communication to the Shareholders.

Section 5.2 Termination

This Plan of Arrangement may be withdrawn prior to the Effective Time in accordance with the terms of the Arrangement Agreement.

ARTICLE 6
FURTHER ASSURANCES

Section 6.1 Further Assurances

Notwithstanding that the transactions and events set out in this Plan of Arrangement shall occur and shall be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the Parties shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by either of them in order to further document or evidence any of the transactions or events set out in this Plan of Arrangement.

SCHEDULE C

NBF FAIRNESS OPINION

See attached.

NATIONAL BANK
FINANCIAL MARKETS

October 9, 2020

The Special Committee of the Board of Directors and the Board of Directors
of Transat A.T. Inc.
300 Léo-Pariseau, Bureau 600
Montréal, QC H2X 4C2

To the Board of Directors:

National Bank Financial Inc. ("National Bank Financial", "we", or "us") understands that Transat A.T. Inc. ("Transat" or the "Company") and Air Canada propose to enter into a new arrangement agreement to be dated October 9, 2020 (the "Revised Arrangement Agreement"). The Revised Arrangement Agreement terminates and replaces the initial arrangement agreement between Transat and Air Canada dated June 27, 2019, as subsequently amended on August 11, 2019 pursuant to which Air Canada had previously agreed to acquire all issued and outstanding shares of Transat for a cash consideration of $18.00 per share (the "Initial Arrangement Agreement"). Under the terms of the Revised Arrangement Agreement, Air Canada will acquire all of the issued and outstanding common shares of Transat (each a "Transat Share" and collectively the "Transat Shares") and each holder of a Transat Share (the "Transat Shareholders") will receive C$5.00 per share, payable at the option of Transat Shareholders in cash or shares of Air Canada at a fixed exchange ratio of 0.2862 Air Canada shares for each Transat Share held (the "Consideration"). The transaction contemplated by the Revised Arrangement Agreement will be effected pursuant to a court-approved plan of arrangement under the *Canada Business Corporations Act* (the "Arrangement") and will require the approval of at least 66 2/3% of the votes cast by Transat Shareholders.

National Bank Financial understands that Air Canada will enter into support and voting agreements with all Transat directors (the "Supporting Shareholders") with respect to the Transat Shares beneficially owned, controlled or directed by the Supporting Shareholders (the "Support Agreements"), whereby the Supporting Shareholders will commit to vote such securities in favour of the Arrangement, subject to the terms and conditions of the Support Agreements.

National Bank Financial further understands that the terms and conditions of the Arrangement will be more fully described in an information circular (the "Circular") to be prepared by Transat and mailed to Transat Shareholders in connection with a shareholders' special meeting to be called by Transat to seek shareholder approval of the Arrangement.

National Bank Financial also understands that the Board of Directors of Transat (the "Board of Directors") has concluded that closing of the arrangement under the Initial Arrangement Agreement has become highly unlikely, based on the reliance letter provided by Fasken Martineau DuMoulin LLP and Norton Rose Fulbright Canada LLP on October 9, 2020.

National Bank Financial also understands that a special committee (the "Special Committee") of the Board of Directors has been constituted to consider the Arrangement and make recommendations with respect thereto to the Board of Directors.

Engagement of National Bank Financial

Pursuant to an engagement agreement dated December 21, 2018 (the "Engagement Agreement"), the Board of Directors and the Special Committee retained the services of National Bank Financial as financial advisor to the Company, which services include providing advice and assistance to the Company and the preparation and delivery to the Special Committee and the Board of Directors of an opinion (the "Fairness Opinion") as to the fairness, from a financial point of view, of the Consideration to be received by the Transat Shareholders pursuant to the Arrangement.

National Bank Financial understands that the Fairness Opinion and a summary thereof will be included in the Circular and, subject to the terms of the Engagement Agreement, National Bank Financial consents to such disclosure. National Bank Financial has not been engaged to prepare a formal valuation of Transat or a valuation of any of the securities or assets of Transat and this Fairness Opinion should not be construed as such.

National Bank Financial will be paid fees for its services as financial advisor to Transat, including for the delivery of the Fairness Opinion. A substantial portion of the fees payable to National Bank Financial are contingent on completion of the Arrangement or an alternative transaction**.** In the Engagement Agreement, Transat has agreed to indemnify National Bank Financial in respect of certain liabilities that might arise out of its engagement and to reimburse it for its reasonable expenses.

Relationship with Interested Parties

National Bank Financial is not an "associated" or "affiliated" entity or an "issuer insider" (as such terms are used in Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101")) of Transat, nor is it a financial advisor to Air Canada in connection with the Arrangement.

National Bank of Canada ("NBC") is (i) lead arranger, book runner, and lender to Transat in its senior secured syndicated revolving credit facility, (ii) lender to Transat for purpose of issuing letters of credit and guarantees, (iii) provider of cash and treasury management services, including deposits as well as foreign exchange and commodity hedging services, to Transat and (iv) lead arranger, bookrunner and lender to Transat in its secured $250 million subordinated loan facility to be entered into concurrently with the Revised Arrangement Agreement.

National Bank Financial acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of Transat or Air Canada and, from time to time, may have executed or may execute transactions for such companies and clients from whom it received or may receive compensation. National Bank Financial, as an investment dealer, conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to Transat or Air Canada.

Credentials of National Bank Financial

National Bank Financial is a leading Canadian investment dealer whose businesses include corporate finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. The Fairness Opinion is the opinion of National Bank Financial and the form and content herein has been reviewed and approved for release by a group of managing directors of National Bank Financial, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

Scope of Review

In connection with rendering our Fairness Opinion, we have reviewed and relied upon, or carried out (as the case may be), among other things, the following:

a) a draft of the Revised Arrangement Agreement dated October 9, 2020;

b) a draft of the Support Agreement dated October 9, 2020;

c) publicly available documents regarding Transat and Air Canada, including annual and quarterly reports, financial statements, annual information forms, management circulars and other filings deemed relevant;

d) internal financial outlook prepared by Transat's management for the fiscal year ended October 31, 2020;

e) presentations prepared by Transat's management to the Board of Directors regarding the strategic orientation of the business, the financial outlook and strategic plan for the fiscal years ended October 31, 2020, 2021, 2022, 2023 and 2024;

f) various reports published by equity research analysts and industry sources regarding Transat, Air Canada and other public companies, to the extent deemed relevant by us;

g) review of industry statistics on passenger data, flight capacity and utilization, tourism spend projections and other industry related drivers;

h) trading statistics and selected financial information of Transat, Air Canada and other selected public companies;

i) comparable acquisition transactions considered by us to be relevant;

j) in addition to the written information described above, National Bank Financial participated in discussions with Transat's senior management team with regards to, among other things, the proposed Arrangement, as well as Transat's business, operations, financial position, budget, key assets and prospects;

k) certain other non-public information prepared and provided to us by Transat's management, primarily financial in nature, concerning the business, assets, liabilities and prospects;

l) consultation with legal advisors to the Board of Directors and legal advisor to the Special Committee of the Board of Directors;

m) such other information, discussions (including discussions with third parties) and analyses as National Bank Financial considered necessary or appropriate in the circumstances; and

n) a certificate addressed to National Bank Financial, from senior officers of Transat regarding the completeness and accuracy of the information upon which this Fairness Opinion is based.

National Bank Financial has not, to the best of its knowledge, been denied access by Transat to any information under the control of Transat that has been requested by National Bank Financial.

Prior Valuations

Management of Transat has represented to National Bank Financial that, to the best of their knowledge, there have been no prior valuations (as defined for the purposes of MI 61-101) of Transat or any of its material assets or subsidiaries prepared within the past twenty-four (24) months.

Assumptions and Limitations

National Bank Financial has relied upon the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions and representations obtained by us from public sources, or provided to us by Transat, its subsidiaries or their respective directors, officers, associates, affiliates, consultants, advisors and representatives (collectively, the "Information"). Our Fairness Opinion is conditional upon such completeness, accuracy and fair presentation of the Information. We have not been requested to nor, subject to the exercise of professional judgment, have we attempted to verify independently the completeness, accuracy or fair presentation of the Information.

Senior officers of Transat have represented to National Bank Financial in a certificate delivered as of the date hereof, among other things, that: (i) the Information provided orally by, or in the presence of, an officer or employee of Transat or in writing by Transat or any of its subsidiaries, associates or affiliates or their respective representatives, was, at the date the Information was provided to National Bank Financial, and is at the date hereof complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact in respect of Transat, its subsidiaries or the Arrangement and did not and does not omit to state a material fact in respect of Transat, its subsidiaries or the Arrangement necessary to make the Information or any statement contained therein not misleading in light of the circumstances under which the Information was provided or any such statement was made; (ii) since the dates on which the Information was provided to National Bank Financial, except as disclosed to National Bank Financial, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Transat or any of its subsidiaries and no material change has occurred in the Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Fairness Opinion; (iii) there are no actions, suits, proceedings or inquiries pending or threatened which may in any way adversely affect the Company, other than Information already publicly disclosed; and that (iv) the Company will require additional financing before the occurrence of the ultimate Outside Date (as such terms are defined in the Arrangement Agreement dated June 27, 2019). With respect to any forecasts, projections, estimates and/or budgets provided to National Bank Financial and used in its analyses, National Bank Financial notes that projecting future results of any company is inherently subject to uncertainty. National Bank Financial has assumed, however, that such forecasts, projections, estimates and/or budgets were prepared using the assumptions identified therein and that such assumptions in the opinion of Transat, are (or were at the time) reasonable in the circumstances.

National Bank Financial has assumed that, in all respects material to its analysis, the Revised Arrangement Agreement executed by the parties will be in substantially the form and substance of the draft provided to us, the representations and warranties of the parties to the Revised Arrangement Agreement contained therein are complete, true and correct in all material respects, such parties will each perform all of the respective covenants and agreements to be performed by them under the Revised Arrangement Agreement, and all conditions to the obligations of such parties as specified in the Revised Arrangement Agreement will be satisfied or waived. National Bank Financial has also assumed that all material approvals and consents required in connection with the consummation of the Arrangement will be obtained.

We have also assumed that the Support Agreements will be entered into by the Supporting Shareholders, that all of the representations and warranties to be contained in the Support Agreements will be true, complete and correct as of the date hereof and that the Supporting Shareholders will vote all of their Transat Shares in favour of the Arrangement.

We are not legal, tax or accounting experts and we express no opinion concerning (i) any legal, tax or accounting matters concerning the Arrangement and (ii) the sufficiency of this Fairness Opinion for your purposes.

This Fairness Opinion is rendered as at the date hereof and on the basis of securities markets, economic and general business and financial conditions prevailing as at the date hereof and the conditions and

prospects, financial and otherwise, of Transat as they are reflected in the Information and as they were represented to us in our discussions with the management and directors of Transat. In our analyses and in connection with the preparation of our Fairness Opinion, we made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of National Bank Financial and any party involved in the Arrangement. This Fairness Opinion is provided to the Special Committee and to the Board of Directors for their respective use only and may not be relied upon by any other person. National Bank Financial disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which may come or be brought to the attention of National Bank Financial after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Fairness Opinion after the date hereof, National Bank Financial reserves the right to change, modify or withdraw the Fairness Opinion. The preparation of a fairness opinion is a complex process and is not necessarily capable of being partially analyzed or summarized. National Bank Financial believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create an incomplete view of the process underlying the Fairness Opinion. The Fairness Opinion should be read in its entirety.

This Fairness Opinion is addressed to and is for the sole use and benefit of the Special Committee and the Board of Directors and may not be referred to, summarized, circulated, publicized or reproduced or disclosed to or used or relied upon by any party without the express written consent of National Bank Financial. This Fairness Opinion is not to be construed or used as a recommendation to any holder of Transat Shares to vote in favour or against the Arrangement.

Approach to Fairness

In considering the fairness of the Consideration under the Arrangement, from a financial point of view, to the Transat Shareholders, National Bank Financial principally considered and relied upon the following approaches: (i) a comparison of the Consideration under the Arrangement to the results of a discounted cash flow analysis of Transat; (ii) a comparison of the selected financial multiples, to the extent publicly available, of selected precedent transactions to the multiples implied by the Consideration under the Arrangement; (iii) a comparison of the selected financial multiples of selected comparable companies whose securities are publicly traded plus a control premium, based on premiums paid to acquire Canadian companies historically to reflect the "en bloc" value, to the multiples implied by the Consideration under the Arrangement; (iv) a review of inbound third party interest in an acquisition of Transat; (v) a comparison of the Consideration under the Arrangement to the recent market trading prices of the Transat Shares; and (vi) such other factors and analyses as we considered appropriate.

Conclusion

Based upon and subject to the foregoing, it is our opinion, as of the date hereof, that the Consideration to be received by the Transat Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Transat Shareholders.

Yours very truly,

National Bank Financial Inc.

NATIONAL BANK FINANCIAL INC.

SCHEDULE D

BMO FAIRNESS OPINION

See attached.

BMO Capital Markets

October 9, 2020

The Special Committee of the Board of Directors and the Board of Directors
Transat A.T. Inc.
300 Léo-Pariseau, Bureau 600
Montréal, Québec
H2X 4C2

To the Special Committee of the Board of Directors and the Board of Directors:

BMO Nesbitt Burns Inc. ("BMO Capital Markets" or "we" or "us") understands that Transat A.T. Inc. (the "Company") and Air Canada (the "Acquiror") are parties to an arrangement agreement dated June 27, 2019, as amended on August 11, 2019 (the "Existing Arrangement Agreement"), pursuant to which, among other things, the Acquiror has agreed to acquire each of the outstanding shares of the Company (the "Shares") for $18.00 per Share, payable in cash, by way of an arrangement under the *Canada Business Corporations Act* (the "Arrangement").

We also understand that the board of directors of the Company (the "Board of Directors") has concluded that the completion of the Arrangement, as contemplated by the terms and conditions of the Existing Arrangement Agreement, has become highly unlikely and that the Company intends to terminate the Existing Arrangement Agreement and enter into a new arrangement agreement with the Acquiror on the date hereof (the "New Arrangement Agreement") to, among other things, (a) extend the "Outside Date" for completion of the Arrangement to February 15, 2021, (b) permit the Company to make borrowings under a $250 million non-revolving credit facility dated October 9, 2020 and (c) permit the Acquiror to acquire, subject to the terms and conditions of the New Arrangement Agreement, each of the outstanding Shares in consideration for, at the option of each holder of Shares (the "Shareholders"), either $5.00 in cash or 0.2862 of a common share of the Acquiror (the "Consideration").

Further, we understand that the terms and conditions of the Arrangement, as provided by the New Arrangement Agreement, will be summarized in the Company's management proxy circular (the "Circular") to be mailed to the Shareholders, in connection with a special meeting of the Shareholders to be held to consider and, if deemed advisable, approve the Arrangement.

We have been retained by the special committee (the "Special Committee") of the Board of Directors solely to provide our opinion (the "Opinion") as to the fairness, from a financial point of view, of the Consideration to be received by the Shareholders pursuant to the Arrangement, as contemplated by the terms and conditions of the New Arrangement Agreement.

ENGAGEMENT OF BMO CAPITAL MARKETS

The Special Committee initially contacted BMO Capital Markets regarding a potential financial advisory assignment in May 2019. BMO Capital Markets was formally engaged by the Company pursuant to an agreement dated May 28, 2019 (the "Engagement Agreement"). Under the terms of

the Engagement Agreement, BMO Capital Markets has agreed to provide the Special Committee and the Board of Directors with an Opinion in connection with the Arrangement, as contemplated by the terms and conditions of the New Arrangement Agreement.

BMO Capital Markets will receive a fixed fee for rendering the Opinion, no portion of which is contingent upon the conclusions reached in the Opinion or the successful completion of the Arrangement. The Company has also agreed to reimburse us for our reasonable out-of-pocket expenses and to indemnify us against certain liabilities that might arise out of our engagement.

This fairness opinion has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of Investment Industry Regulatory Organization of Canada ("IIROC") but IIROC has not been involved in the preparation or review of this fairness opinion.

CREDENTIALS OF BMO CAPITAL MARKETS

BMO Capital Markets is one of North America's largest investment banking firms, with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading, investment research and investment management. BMO Capital Markets has been a financial advisor in a significant number of transactions throughout North America involving public and private companies in various industry sectors and has extensive experience in preparing fairness opinions.

The Opinion represents the opinion of BMO Capital Markets, the form and content of which have been approved for release by a committee of our officers who are collectively experienced in merger and acquisition, divestiture, restructuring, valuation, fairness opinion and capital markets matters.

INDEPENDENCE OF BMO CAPITAL MARKETS

Neither BMO Capital Markets, nor any of our affiliates, is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario) or the rules made thereunder) of the Company, the Acquiror, or any of their respective associates or affiliates (collectively, the "Interested Parties").

BMO Capital Markets has not been engaged to provide any financial advisory services nor has it participated in any financings involving the Interested Parties within the past two years, other than: (i) acting as financial advisor to the Special Committee and the Board of Directors pursuant to the Engagement Agreement; (ii) acting as co-manager in Air Canada's $575.6 million common share offering and US$747.5 million convertible debentures offering which both closed in June 2020; (iii) acting as a syndicate member in Air Canada's $200 million Canadian revolving credit facility which closed in December 2018; (iv) providing foreign exchange rate hedging services to Air Canada; and, (v) providing cash management services to Air Canada.

There are no understandings, agreements or commitments between BMO Capital Markets and any of the Interested Parties with respect to future business dealings. BMO Capital Markets may, in

the future, in the ordinary course of business, provide financial advisory, investment banking, or other financial services to one or more of the Interested Parties from time to time.

BMO Capital Markets and certain of our affiliates act as traders and dealers, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of one or more of the Interested Parties and, from time to time, may have executed or may execute transactions on behalf of one or more Interested Parties for which BMO Capital Markets or such affiliates received or may receive compensation. As investment dealers, BMO Capital Markets and certain of our affiliates conduct research on securities and may, in the ordinary course of business, provide research reports and investment advice to clients on investment matters, including with respect to one or more of the Interested Parties or the Arrangement. In addition, Bank of Montreal ("BMO"), of which BMO Capital Markets is a wholly-owned subsidiary, or one or more affiliates of BMO, may provide banking or other financial services to one or more of the Interested Parties in the ordinary course of business.

OVERVIEW OF TRANSAT A.T. INC.

The Company 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. Based in Montreal, the Company has approximately 5,000 employees.

SCOPE OF REVIEW

In connection with rendering the Opinion, we have reviewed and relied upon, or carried out, among other things, the following:

1. a draft of the New Arrangement Agreement dated October 6, 2020;

2. certain publicly available information relating to the business, operations, financial condition and trading history of the Company and other selected public companies we considered relevant;

3. certain internal financial, operating, corporate and other information prepared or provided by or on behalf of the Company relating to the business, operations and financial condition of the Company;

4. internal management forecasts, projections, estimates and budgets prepared or provided by or on behalf of management of the Company, including the Company's updated management forecast (the "Current Forecast"), which we were advised by the Company's management and Board of Directors replaced and superseded all earlier forecasts;

5. discussions with management of the Company relating to the Company's current business, plans, financial condition and prospects, including the Current Forecast and the Company's need for additional financing;

6. discussions with the Special Committee relating to the Company's current business, plans, financial condition and prospects, including regarding the Current Forecast, the Company's need for additional financing and the Special Committee's assessment of the prospects for completing the Arrangement on the terms contemplated by the Existing Arrangement Agreement;

7. discussions with legal counsel to the Special Committee and legal counsel to the Company;

8. a letter of representation as to certain factual matters and the completeness and accuracy of certain information upon which the Opinion is based, addressed to us and dated as of the date hereof, provided by three senior officers of the Company; and

9. such other information, investigations, analyses and discussions as we considered necessary or appropriate in the circumstances.

BMO Capital Markets has not, to the best of its knowledge, been denied access by the Company to any information under the Company's control requested by BMO Capital Markets.

PRIOR VALUATIONS

Senior officers of the Company have represented to BMO Capital Markets that to the best of their knowledge, information and belief after due inquiry, there are no independent appraisals or valuations or material non-independent appraisals or valuations relating to the Company or any of its material subsidiaries or any of their respective securities, or any of the Company's or any of its materials subsidiaries' respective material assets or liabilities that have been prepared in the two years preceding the date hereof and which have not been provided to BMO Capital Markets.

ASSUMPTIONS AND LIMITATIONS

We have relied upon and assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions, representations and other material obtained by us from public sources or provided to us by or on behalf of the Company or otherwise obtained by us in connection with our engagement (the "Information"). The Opinion is conditional upon such completeness, accuracy and fair presentation. We have not been requested to, and have not assumed any obligation to, independently verify the completeness, accuracy or fair presentation of any such Information. We have assumed that forecasts, projections, estimates and budgets provided to us and used in our analyses were reasonably prepared on bases reflecting the best currently available assumptions, estimates and judgments of management of the Company, having regard to the Company's business, plans, financial condition and prospects.

Senior officers of the Company have represented to BMO Capital Markets in a letter of representation delivered as of the date hereof, among other things, that: (i) the Information provided to BMO Capital Markets orally by, or in the presence of, an officer or employee of, the Company, or in writing by the Company or any of its subsidiaries (as defined in National Instrument 45-106 – *Prospectus Exemptions*) or any of its or their representatives in connection with our engagement was, at the date the Information was provided to BMO Capital Markets, and is, as of the date hereof, complete, true and correct in all material respects, and did not and does

not contain a misrepresentation (as defined in the *Securities Act* (Ontario)); and (ii) since the dates on which the Information was provided to BMO Capital Markets, except as disclosed to BMO Capital Markets, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or any of its subsidiaries (on a consolidated basis), and no change has occurred in the Information or any part thereof which would have or which could reasonably be expected to have a material effect on the Opinion.

In preparing the Opinion, we have assumed that the executed New Arrangement Agreement will not differ in any material respect from the draft that we reviewed, and that the Arrangement will be consummated in accordance with the terms and conditions of the New Arrangement Agreement without waiver of, or amendment to, any term or condition that is in any way material to our analyses.

The Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as of October 8, 2020, and the condition and prospects, financial and otherwise, of the Company as they are reflected in the Information and as they have been represented to BMO Capital Markets in discussions with management of the Company and its representatives. In our analyses and in preparing the Opinion, BMO Capital Markets made numerous judgments and assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond our control or that of any party involved in the Arrangement.

The Opinion is provided to the Special Committee and the Board of Directors for their exclusive use only in considering the fairness, from a financial point of view, of the Consideration offered to Shareholders pursuant to the Arrangement and may not be used or relied upon by any other person or for any other purpose without our prior written consent. The Opinion does not constitute a recommendation as to how any Shareholder should vote or act on any matter relating to the Arrangement, including with regards to electing to receive cash and / or shares of the Acquiror in exchange for their Shares. Except for the inclusion of the Opinion in its entirety and a summary thereof (in a form acceptable to us) in the Circular, the Opinion is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without our prior written consent.

In connection with the Arrangement, Shareholders will have the option to receive the Consideration in the form of cash or shares of the Acquiror. BMO Capital Markets has assumed that Shareholders will elect the highest value alternative that is available to them under the Arrangement.

We have not been asked to prepare and have not prepared a formal valuation or appraisal of the securities or assets of the Company, the Acquiror or of any of their respective affiliates, and the Opinion should not be construed as such. The Opinion is not, and should not be construed as, advice as to the price at which the securities of the Company or the Acquiror may trade at any time. BMO Capital Markets was not engaged to review any legal, tax or regulatory aspects of the Arrangement, and the Opinion does not address any such matters. We have relied upon, without independent verification, the assessment by the Company and its legal advisors with respect to such matters. In addition, the Opinion does not address the merits of the Arrangement as compared to any alternatives that may be available to the Company or the Shareholders. We were not

requested to solicit, and did not solicit, interest from other parties with respect to an acquisition of, or other business combination transaction with, the Company or any other alternative transaction.

The preparation of the Opinion is a complex process and is not necessarily amenable to being partially analyzed or summarized. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. BMO Capital Markets believes that our analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by us, without considering all factors and analyses together, could create an incomplete or misleading view of the process underlying the Opinion. This opinion letter should be read in its entirety.

The Opinion is rendered as of the date hereof and BMO Capital Markets disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion which may come or be brought to the attention of BMO Capital Markets after the date hereof. Without limiting the foregoing, if we learn that any of the information we relied upon in preparing the Opinion was inaccurate, incomplete or misleading in any material respect, BMO Capital Markets reserves the right to change or withdraw the Opinion.

APPROACH TO FAIRNESS

BMO Capital Markets performed various analyses in connection with rendering the Opinion. In arriving at our conclusion, we did not attribute any particular weight to any specific approach or analysis, but rather developed qualitative judgements on the basis of our experience in rendering such opinions and on the Information considered as a whole.

In considering the fairness, from a financial point of view, of the Consideration to be received by Shareholders pursuant to the Arrangement, BMO Capital Markets considered whether the Consideration was consistent with ranges of share prices for the Company determined by applying a sum-of-the parts approach for the Company, taking into consideration the following components:

i. the activities and operations of the Company (the "Business Operations");
ii. the value of the land owned by the Company in Puerto Morales;
iii. the value of the Company's investment in Rancho Banderas; and
iv. the value of the non-controlling interest in its Trafictours Canada Inc. subsidiary.

BMO Capital Markets' financial analysis included the following methodologies for determining the values of the applicable components of the Company:

i. trading multiples and metrics of public companies we considered relevant; and
ii. a discounted cash flow ("DCF") analysis.

In addition to the foregoing, BMO Capital Markets reviewed but did not rely upon equity research analyst target prices for the Company.

Comparable Company Trading Analysis

BMO Capital Markets reviewed certain publicly available financial and stock market information of publicly traded companies in the airline industry. No company used in this analysis is identical

or directly comparable to the Company. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading or other values of the companies to which the Company was compared.

The Company's annual EBITDA is almost exclusively generated through the sale of flights to Europe in the summer season, while the sale of vacation packages to South destinations in the winter season has historically been unprofitable. Given the significant contribution of airline activities to the Company's annual EBITDA, BMO Capital Markets also reviewed, but did not rely upon, trading multiples and metrics of public companies involved in the Tour Operator industry.

The two primary metrics considered in analyzing the selected comparable companies were:

i. Enterprise value ("EV") as a multiple of estimated earnings before interest, taxes, depreciation and amortization ("EBITDA") for the calendar year 2022 (an "EBITDA Multiple"); and

ii. Adjusted enterprise values ("Adj. EV") of the selected companies, calculated as enterprise value plus capitalized lease liabilities as a multiple of estimated earnings before interest, taxes, depreciation, amortization and leasing expense ("EBITDAR") for the calendar year 2022 (an "EBITDAR Multiple").

In calculating enterprise value for the selected companies, BMO Capital Markets assumed no excess cash was available on these companies' respective balance sheets and that all available cash was required for the purposes of funding ongoing business operations.

The following table summarizes the comparable companies reviewed by BMO Capital Markets:

Company	Adj. EV / CY 2022 EBITDAR	EV / CY 2022 EBITDA
North American Airlines		
American Airlines	7.8x	8.2x
Delta Air Lines	7.5x	7.4x
Air Canada	7.4x	8.8x
Alaska Airlines	6.5x	6.8x
United Airlines	5.5x	5.5x
European Airlines		
International Airlines Group	5.0x	4.0x
Air France-KLM	4.6x	4.9x
Lufthansa	3.8x	3.5x
Low-cost Airlines		
Ryanair	8.8x	9.0x
Southwest Airlines	8.5x	8.5x
JetBlue	7.2x	7.1x
Wizz Air	6.5x	5.9x
easyJet	6.0x	6.4x

BMO Capital Markets concluded that the Consideration is consistent with the range of share prices for the Company determined based on multiples observed for the selected comparable companies when considering:

i. a range of values for the Business Operations based on the trading EBITDA Multiples of comparable companies, plus the fair market value of the Company's investment in Rancho Banderas and the fair market value of its land in Puerto Morales, less outstanding indebtedness on the Company's credit facility, less the value of the non-controlling interest in its Trafictours Canada Inc. subsidiary;

ii. a range of values for the Business Operations based on the trading EBITDAR Multiples of comparable companies, plus the fair market value of the Company's investment in Rancho Banderas and the fair market value of its land in Puerto Morales, less the value of capitalized leases, less outstanding indebtedness on the Company's credit facility, less the value of the non-controlling interest in its Trafictours Canada Inc. subsidiary; and

iii. a range of values obtained by grossing up the average of the low end of the implied equity value per share derived from each of (i) and (ii) above, and the average of the high end of the implied equity value per share derived from each of (i) and (ii) above, respectively, by a premium of 35%.

The premium applied to the equity value per share in paragraph (iii) is comparable to premiums implied by selected precedent transactions involving Canadian public companies.

Discounted Cash Flow Analysis

The DCF methodology reflects the growth prospects and risks inherent in the Company's operations by taking into account the amount, timing and relative certainty of projected free cash flows expected to be generated by the Company. The DCF approach requires that certain assumptions be made regarding, among other things, future free cash flows, discount rates and terminal values. The possibility that some of the assumptions will prove to be inaccurate is one factor involved in the determination of the discount rates to be used in establishing a range of values. BMO Capital Markets' DCF analysis involved discounting to a present value the projected unlevered after-tax free cash flows for the Business Operations during the forecast period, including a terminal value, utilizing an appropriate weighted average cost of capital ("WACC") as the discount rate for the DCF analysis.

Discounted Cash Flow Analysis – Business Operations ("Business Operations DCF")

As a basis for the development of the projected free cash flows for its Business Operations DCF analysis, BMO Capital Markets reviewed the Current Forecast. BMO Capital Markets reviewed the relevant underlying assumptions, compared the Current Forecast to the Company's actual historical performance and had detailed discussions with the Company's senior management about the Current Forecast.

Projected unlevered after-tax free cash flows for the Business Operations were discounted utilizing the WACC. The assumed optimal capital structure was determined based on the Company's current and historical capital structure and the observed capital structures of a selected group of comparable companies. BMO Capital Markets used the capital asset pricing model ("CAPM") approach to determine the appropriate cost of equity. The CAPM approach calculates the cost of equity with reference to the risk-free rate of return, the volatility of equity prices relative to a benchmark ("beta"), the equity risk premium and, when and if applicable, a size premium and/or

country risk premium. Based on this methodology, BMO Capital Markets determined the appropriate WACC to be in the range of 14.50% to 15.50%.

BMO Capital Markets calculated the terminal value for the Business Operations by applying a perpetual free cash flow growth rate range of 1.50% to 2.00% to the unlevered after-tax free cash flow in the terminal year, which reflects Management's estimate of the run-rate EBITDA for the Business Operations. In selecting a range of perpetual growth rates, BMO Capital Markets took into account the outlook for long-term inflation and growth prospects for the Business Operations beyond the terminal year.

Discounted Cash Flow Analysis – Sum-of-the Parts

The Consideration is consistent with the range of share prices for the Company determined based on the Business Operations DCF value, plus the fair market value of the Company's investment in Rancho Banderas and the fair market value of its land in Puerto Morales, less outstanding indebtedness on the Company's credit facility, less the value of the non-controlling interest in its Trafictours Canada Inc. subsidiary.

CONCLUSION

Based upon and subject to the foregoing, BMO Capital Markets is of the opinion that, as of the date hereof, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Shareholders.

Yours truly,

BMO Nesbitt Burns Inc.

BMO Nesbitt Burns Inc.

SCHEDULE E

INTERIM ORDER

See attached.

SUPERIOR COURT
(Commercial Division)

C A N A D A

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No.: 500-11-056848-191

DATE : November 10, 2020

IN THE PRESENCE OF: THE HONOURABLE LOUIS J. GOUIN, J.S.C.

IN THE MATTER OF THE PROPOSED ARRANGEMENT PURSUANT TO SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.C.S. 1985, c. C-44 AS AMENDED

TRANSAT A.T. INC.
Applicant
and
AIR CANADA
and
THE DIRECTOR
Impleaded Parties

INTERIM ORDER[1]

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[1] **ON READING** Transat A.T. Inc.'s ("**Transat**" or the "**Applicant**") Application for an Interim and Final Order pursuant to the *Canada Business Corporations Act,* R.C.S. 1985, c. C-44 as amended (the "**CBCA**"), the exhibits, the sworn statement of Bernard Bussières filed in support thereof (the "**Application**") and Transat's Plan of Argument for the Issuance of an Interim Order;

[2] **GIVEN** that the Arrangement Agreement dated October 9, 2020 between Air Canada (the "**Purchaser**") and Transat (the "**Arrangement Agreement**") terminated and replaced the Arrangement Agreement dated July 27, 2019 (as amended) between the same parties;

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[1] All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Circular, which is communicated as Exhibit P-4 to the Application.

[3] **GIVEN** that this Court is satisfied that the Director appointed pursuant to the CBCA has been duly served with the Application and has confirmed in writing that he would not appear or be heard on the Application;

[4] **GIVEN** the provisions of the CBCA;

[5] **GIVEN** the representations of counsel for Transat and for the Purchaser;

[6] **GIVEN** that this Court is satisfied, at the present time, that the proposed transaction is an "arrangement" within the meaning of Section 192(1) of the CBCA;

[7] **GIVEN** that this Court is satisfied, at the present time, that it is not practicable for Transat to effect the arrangement proposed under any other provision of the CBCA;

[8] **GIVEN** that this Court is satisfied, at the present time, that Transat meets the requirements set out in Subsections 192(2)(a) and (b) of the CBCA and that Transat is not insolvent;

[9] **GIVEN** that this Court is satisfied, at the present time, that the arrangement is put forward in good faith and for a valid business purpose;

FOR THESE REASONS, THE COURT:

[10] **GRANTS** the Interim Order sought in the Application and **DECLARES** that the time for filing and service of the Application is abridged;

[11] **DISPENSES** Transat of the obligation, if any, to notify any person other than the Director appointed pursuant to the CBCA with respect to the Interim Order;

[12] **ORDERS** that all the holders of class A variable voting shares (the "**Variable Voting Shares**") and class B voting shares (the "**Common Voting Shares**", and together with the Variable Voting Shares, collectively the "**Voting Shares**") (the holders of the Voting Shares are collectively the "**Shareholders**"), the holders of stock options whether vested or unvested (collectively the "**Optionholders**"), the holders of DSUs, RSUs or PSUs whether vested or unvested (collectively the "**Unitholders**" and together with the Shareholders and Optionholders, collectively the "**Securityholders**") and the Purchaser be deemed parties, as Impleaded Parties, to the present proceedings and be bound by the terms of any Order rendered herein;

The Meeting

[13] **ORDERS** that the Applicant may convene, hold and conduct a special meeting of the Shareholders (the "**Meetin**g") on December 15, 2020 at 10:00 a.m. (Montréal time), by electronic means in a virtual only format by electronic means at

https://web.lumiagm.com/481453964, to consider and, if thought appropriate, to pass, with or without variation, a resolution approving the arrangement (the "**Arrangement Resolution**") substantially in the form set forth in Schedule A of the Circular to, among other things, authorize, approve and adopt an arrangement between Transat A.T. Inc. and Air Canada (the "**Arrangement**"), and to transact such other business as may properly come before the Meeting, the whole in accordance with the terms, restrictions and conditions of the articles and by-laws of the Applicant, the CBCA, and this Interim Order, provided that to the extent there is any inconsistency between this Interim Order and the terms, restrictions and conditions of the articles and by-laws of the Applicant or the CBCA, this Interim Order shall govern;

[14] **ORDERS** that in respect of the vote on the Arrangement Resolution or any matter determined by the chairman of the Meeting (the "**Chair of the Meeting**") to be related to the Arrangement, each registered Shareholder shall be entitled to cast one vote in respect of each Voting Share held;

[15] **ORDERS** that notwithstanding paragraph [14] of this Order, the votes cast by the holders of the Variable Voting Shares are subject to the Canadian ownership requirements stipulated in the *Canada Transportation Act*, (S.C. 1996, c. 10) and may be subject to the proration set forth in Transat's Articles of Incorporation, as amended on May 8, 2019;

[16] **ORDERS** that quorum shall be present at the Meeting if at least two persons holding or representing by proxy not less than 25% of the Voting Shares entitled to vote at the Meeting participate at the Meeting, irrespective of the number of persons actually participating at the Meeting. If a quorum is present at the opening of the Meeting, the persons participating at the meeting that are Shareholders or that represent Shareholders by proxy may proceed with the business of the Meeting notwithstanding that a quorum is not present throughout the Meeting;

[17] **ORDERS** that the only persons entitled to participate, be heard or vote at the Meeting (as it may be adjourned or postponed) shall be the registered Shareholders at the close of business on the Record Date, their proxyholders, and the directors and advisors of the Applicant, provided however that such other persons having the permission of the Chair of the Meeting shall also be entitled to attend and be heard at the Meeting;

[18] **ORDERS** that for the purpose of the vote on the Arrangement Resolution, or any other vote taken by electronic ballot at the Meeting, any spoiled ballots, illegible ballots and defective ballots shall be deemed not to be votes cast by Shareholders and further **ORDERS** that proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the Arrangement Resolution;

[19] **ORDERS** that the Applicant, if it deems it advisable or at the Purchaser's request, subject in each case to the terms of the Arrangement Agreement entered into with the Purchaser, be authorized to adjourn or postpone the Meeting on one or more occasions (whether or not a quorum is present), without the necessity of first convening the Meeting or first obtaining any vote of Shareholders respecting the adjournment or postponement; further **ORDERS** that notice of any such adjournment or postponement shall be given by press release, newspaper advertisement or by mail, as determined to be the most appropriate method of communication by the Applicant; further **ORDERS** that any adjournment or postponement of the Meeting will not change the Record Date, as defined hereunder, for Shareholders entitled to notice of, and to vote at, the Meeting and further **ORDERS** that any subsequent reconvening of the Meeting, all proxies will be voted in the same manner as the proxies would have been voted at the original convening of the Meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent reconvening of the Meeting;

[20] **ORDERS** that the Applicant and the Purchaser may amend, modify and/or supplement the Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must (a) be set out in writing, (b) be approved by the Applicant and the Purchaser, each acting reasonably, and (c) be filed with the Court and, if made following the Meeting, approved by the Court;

[21] **ORDERS** that notwithstanding paragraph [20] of this Order, the Applicant and the Purchaser may amend, modify and/or supplement the Plan of Arrangement at any time and from time to time without the approval of the Court or the Securityholders, provided that each such amendment, modification and/or supplement (a) must concern a matter which, in the reasonable opinion of each of the Applicant and the Purchaser, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement, and (b) is not adverse to the economic interests of any Securityholders;

[22] **ORDERS** that subject to paragraph [21] of this Order, any amendment, modification and/or supplement to the Plan of Arrangement may be proposed by the Applicant or the Purchaser at any time prior to or at the Meeting (provided that the Applicant or the Purchaser, as applicable, shall have consented thereto in writing) with or without any other prior notice or communication to the Shareholders, and if so proposed and accepted by the Persons voting at the Meeting (other than as may be required under this Order), shall become part of this Plan of Arrangement for all purposes;

[23] **ORDERS** that subject to paragraph [21] of this Order, the Applicant and the Purchaser may amend, modify and/or supplement the Plan of Arrangement at any time and from time to time after the Meeting and prior to the Effective Time with the approval of the Court, and, if and as required by the Court, after communication to the Shareholders;

[24] **ORDERS** that the Applicant is authorized to use proxies at the Meeting; that each of Applicant and the Purchaser, as permitted by the Arrangement Agreement, are authorized, at the expense of the Applicant, to solicit proxies on behalf of the Applicant's management, directly or through the Applicant's or the Purchaser's officers, directors and employees, and through such agents or representatives as the Applicant or the Purchaser may retain for that purpose, and by mail or such other forms of personal or electronic communication as the Applicant or the Purchaser may determine; and that the Applicant may waive, in its discretion, the time limits for the deposit of proxies by the Shareholders if it considers it advisable to do so;

[25] **ORDERS** that the registered Shareholders at close of business (Montréal time) on the Record Date or their proxyholders shall be the only persons entitled to vote at the Meeting (as it may be adjourned or postponed);

[26] **ORDERS** that, to be effective, the Arrangement Resolution, with or without variation, must be approved by the affirmative vote of: (i) at least and no more than 66 2/3% of the votes cast by the Shareholders, voting together as a single class, participating or represented by proxy at the Meeting and entitled to vote; and (ii) a simple majority of the votes cast by the Shareholders, voting together as a single class, participating or represented by proxy at the Meeting and entitled to vote, excluding those Shareholders whose votes are required to be excluded in determining the minority approval pursuant to Regulation 61-101; and further **ORDERS** that such vote shall be sufficient to authorize and direct the Applicant to do all such acts and things as may be necessary or desirable to give effect to the Arrangement and the Plan of Arrangement on a basis consistent with what has been disclosed to the Shareholders in the Notice Materials (as this term is defined below);

The Notice Materials

[27] **ORDERS** that the Applicant shall give notice of the Meeting, and that service of the Application for a Final Order shall be made by mailing or delivering, in the manner hereinafter described and to the persons hereinafter specified, a copy of this Interim Order, together with the following documents, with such non-material amendments thereto as Applicant may deem to be necessary or desirable, provided that such amendments are not inconsistent with the terms of this Interim Order (collectively, the "**Notice Materials**"):

(a) the Notice of Meeting substantially in the same form as contained in the draft Circular as Exhibit P-4;

(b) the Circular, its Schedules and Appendices substantially in the same form as the draft contained in Exhibit P-4;

(c) Forms of Proxy substantially in the same form as contained in Exhibit P-5, which shall be finalized by inserting the relevant dates and other information;

(d) a Letter of Transmittal and Election Form substantially in the same form as contained in Exhibit P-6;

(e) a notice substantially in the form of the draft, a copy of which is annexed as Schedule F of the Circular, filed as Exhibit P-4 providing, among other things, the date, time and room where the Application for a Final Order will be heard, and that a copy of the Interim Order can be found on SEDAR (www.sedar.com) (the "**Notice of Presentation**");

[28] **ORDERS** that the Notice Materials shall be distributed:

(a) to the registered Shareholders by mailing the same to such persons in accordance with the CBCA and the Applicant's by-laws at least twenty-one (21) days prior to the date of the Meeting;

(b) to the non-registered Shareholders, in compliance with National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*;

(c) to the Applicant's directors and auditors, by delivering same at least twenty-one (21) days prior to the date of the Meeting in person or by recognized courier service or by email; and

(d) to the Director appointed pursuant to the CBCA, by delivering same at least twenty-one (21) days prior to the date of the Meeting in person by recognized courier service or by email;

[29] **ORDERS** that a copy of the Interim Order be posted on SEDAR (www.sedar.com) at the same time the Notice Materials are mailed;

[30] **ORDERS** that the Record Date for the determination of Shareholders entitled to receive the Notice Materials and to attend and be heard at the Meeting and vote on the Arrangement Resolution shall be the close of business (Montréal time) on November 10, 2020 (the "**Record Date**");

[31] **ORDERS** that the Applicant may make, in accordance with this Interim Order, such additions, amendments or revisions to the Notice Materials as it determines to be appropriate (the "**Additional Materials**"), which shall be distributed to the persons entitled to receive the Notice Materials pursuant to this Interim Order by the method and in the time determined by the Applicant to be most practicable in the circumstances;

[32] **DECLARES** that the mailing or delivery of the Notice Materials and any Additional Materials in accordance with this Interim Order as set out above

constitutes good and sufficient notice of the Meeting upon all persons, and that no other form of service of the Notice Materials and any Additional Materials or any portion thereof, or of the Application need be made, or notice given or other material served in respect of the Meeting to any person;

[33] **ORDERS** that the Notice Materials and any Additional Materials shall be deemed, for the purposes of the present proceedings, to have been received and served upon:

(a) in the case of distribution by mail, three (3) business days after delivery thereof to the post office;

(b) in the case of delivery in person or by courier, upon receipt thereof at the intended recipient's address; and

(c) in the case of delivery by facsimile transmission or by e-mail, on the day of transmission;

[34] **DECLARES** that the accidental failure or omission to give notice of the Meeting to, or the non-receipt of such notice by, one or more of the persons specified in the Interim Order shall not invalidate any resolution passed at the Meeting or the proceedings herein, and shall not constitute a breach of the Interim Order or defect in the calling of the Meeting, provided that if any such failure or omission is brought to the attention of the Applicant, it shall use reasonable efforts to rectify such failure or omission by the method and in the time it determines to be most reasonably practicable in the circumstances;

U.S. Securities Act

[35] **PRAYS ACT** that the Applicant and the Purchaser intend to rely on the Final Order (including the determination to be made by the Court therein as to the fairness of terms and conditions of the Arrangement to the Securityholders), when granted as the basis for the exemption from the registration requirements of the United States Securities Exchange Act of 1934, as amended (the "**U.S. Securities Act**") set forth in Section 3(a)(10) of the U.S. Securities Act with respect to the issuance and distribution of Purchaser Shares (as defined under the Plan of Arrangement) under the Arrangement;

Dissenting Shareholders' Rights

[36] **ORDERS** that in accordance with the dissenting shareholders' rights set forth in the Plan of Arrangement (the "**Dissent Rights**"), any registered Shareholder who wishes to dissent must provide a dissent notice so that it is received by Mtre Bernard Bussières, Vice President, General Counsel and Corporate Secretary of Transat, email: bernard.bussieres@transat.com, with a copy to Fasken Martineau DuMoulin LLP, 800 Square-Victoria, Suite 3700, Montréal, Québec, Canada, H4Z 1E9, Attention: Mtre Alain Riendeau & Mtre Brandon Farber, email: ariendeau@fasken.com & bfarber@fasken.com, with a copy to Purchaser's

counsel, c/o Mtre Stéphanie Lapierre, Stikeman Elliott LLP, 1155 René-Lévesque Boul. W., 41st floor, Montréal, Québec H3B 3V2, email: slapierre@stikeman.com, by no later than 5:00 p.m. (Montréal time) on the second Business Day immediately preceding the date of the Meeting (as it may be adjourned or postponed from time to time) (the "**Dissent Notice**");

[37] **DECLARES** that a dissenting shareholder who has submitted a dissent notice (the "**Dissenting Shareholder**") and who votes in favor of the Arrangement Resolution shall no longer be considered a Dissenting Shareholder with respect to the Voting Shares voted in favor of the Arrangement Resolution, and that a vote against the Arrangement Resolution or an abstention shall not constitute a Dissent Notice;

[38] **ORDERS** that any Dissenting Shareholder wishing to apply to a Court to fix a fair value for Voting Shares in respect of which Dissent Rights have been duly exercised must apply to the Superior Court of Québec and that for the purposes of the Arrangement contemplated in these proceedings, the "Court" referred to in Section 190 of the *CBCA* means the Superior Court of Québec;

The Final Order Hearing

[39] **ORDERS** that subject to the approval by the Shareholders of the Arrangement Resolution in the manner set forth in this Interim Order, the Applicant may apply for this Court to sanction the Arrangement by way of a final judgment (the "**Application for a Final Order**");

[40] **ORDERS** that the Application for a Final Order be presented on December 18, 2020 before the Superior Court of Québec, sitting in the Commercial Division in and for the district of Montréal at the Montréal Courthouse, 1 Notre-Dame Street East in Montréal, Québec, at a room and time to be fixed by the Court or by way of a virtual hearing or so soon thereafter as counsel may be heard, or at any other date this Court may see fit;

[41] **ORDERS** that the mailing or delivery of the Notice Materials constitutes good and sufficient service of the Application and good and sufficient notice of presentation of the Application for a Final Order to all persons, whether those persons reside within Québec or in another jurisdiction;

[42] **ORDERS** that the only persons entitled to appear and be heard at the hearing of the Application for a Final Order shall be the Applicant, the Purchaser and any person that:

(a) files an answer (notice of appearance) with this Court's registry and serve same on the Applicant's counsel, c/o Mtre Alain Riendeau & Mtre Brandon Farber, Fasken Martineau DuMoulin LLP, Stock Exchange Tower, 800 Place Victoria, Suite 3700, Montréal, Québec H4Z 1E9, email: ariendeau@fasken.com & bfarber@fasken.com and on Purchaser's counsel, c/o Mtre Stéphanie Lapierre, Stikeman Elliott LLP, 1155 René-

Lévesque Boul. W., 41st floor, Montréal, Québec H3B 3V2, email: slapierre@stikeman.com, no later than 4:30 p.m. (Montréal time) on December 15, 2020; and

(b) if such an answer (notice of appearance) is with a view to contesting the Application for a Final Order, such answer (notice of appearance) must provide a summary of the grounds of contestation and be served on the Applicant's counsel and on Purchaser's counsel (at the above address or email address), no later than 4:30 p.m. on December 16, 2020;

[43] **DECLARES** that the Final Order, if granted, will include a determination as to the fairness of the terms and conditions of the Arrangement to the Securityholders;

[44] **ALLOWS** the Applicant to file any further evidence it deems appropriate, by way of supplementary affidavits or otherwise, in connection with the Application for a Final Order;

Miscellaneous

[45] **DECLARES** that the Applicant shall be entitled to seek leave to vary this Interim Order upon such terms and such notice as this Court deems just;

[46] **ORDERS** provisional execution of this Interim Order notwithstanding any appeal therefrom and without the necessity of furnishing any security;

[47] **THE WHOLE** without costs.

(s) Louis J. Gouin

The Honourable Louis J. Gouin, J.S.C.

Mtres Alain Riendeau and Brandon Farber
Fasken Martineau DuMoulin LLP
Attorneys for Transat A.T. Inc.

Mtre Stéphanie Lapierre
Stikeman Elliott LLP
Attorney for Air Canada

Date of hearing: November 10, 2020

SCHEDULE F

NOTICE OF PRESENTATION FOR THE FINAL ORDER

See attached.

NOTICE OF PRESENTATION

(FINAL ORDER)

TAKE NOTICE that the present *Application for an Interim and Final Order* will be presented for adjudication of the final order before one of the honourable judges of the Superior Court, sitting in commercial division for the district of Montréal on **December 18, 2020 at 9:00 a.m.** or so soon thereafter as counsel may be heard, virtually in room 16.04 of the Montréal courthouse, located at 1 Notre-Dame Street East, Montréal, Quebec, H2Y 1B6 or in another room as may be determined by the Court. All persons that file a notice of appearance (answer) in accordance with the procedure set forth below shall also be provided with the coordinates to attend the hearing virtually via Microsoft Teams, telephone or videoconference.

Pursuant to the Interim Order issued by the Superior Court of Québec on November 10, 2020, if you wish to make representations before the Court, you are required to file an answer (notice of appearance) at the Office of the Clerk of the Superior Court of the District of Montreal and serve same Mtre Alain Riendeau & Mtre Brandon Farber, Fasken Martineau DuMoulin LLP, Stock Exchange Tower, 800 Place Victoria, Suite 3500, Montreal, Québec H4Z 1E9, email: ariendeau@fasken.com & bfarber@fasken.com and on Purchaser's counsel, c/o Mtre Stéphanie Lapierre, Stikeman Elliott LLP, 1155 René-Lévesque Boul. W., 41st floor, Montreal, Québec H3B 3V2, email: slapierre@stikeman.com, no later than **4:30 p.m. (Montreal time)** on **December 15, 2020**.

If you wish to contest the issuance by the Court of the Final Order, you are required, pursuant to the terms of the Interim Order, to file an answer (notice of appearance), which provides a summary of the grounds of contestation, at the Office of the Clerk of the Superior Court of the District of Montreal and serve such appearance to Mtre Alain Riendeau and Mtre Brandon Farber of Fasken Martineau DuMoulin LLP, counsel for the Applicant, and on Mtre Stéphanie Lapierre of Stikeman Elliott LLP, at the above-mentioned address, no later than later than **4:30 p.m. (Montreal time)** on **December 16, 2020**.

TAKE FURTHER NOTICE that, if you do not file an answer (notice of appearance) within the above-mentioned time limits, you will not be entitled to contest the Application for a Final Order or make representations before the Court, and the Applicant may be granted a judgment without further notice or extension.

If you wish to make representations or contest the issuance by the Court of the Final Order, it is important that you take action within the time limits indicated, either by retaining the services of an attorney who will represent you and act in your name, or by doing so yourself.

DO GOVERN YOURSELVES ACCORDINGLY.

SCHEDULE G

SECTION 190 OF THE CANADA BUSINESS CORPORATIONS ACT

"190. (1) Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

(a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;

(b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;

(c) amalgamate otherwise than under section 184;

(d) be continued under section 188;

(e) sell, lease or exchange all or substantially all its property under subsection 189(3); or

(f) carry out a going-private transaction or a squeeze-out transaction.

(2) A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares.

(3) In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

(6) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

(7) A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

(a) the shareholder's name and address;

(b) the number and class of shares in respect of which the shareholder dissents; and

(c) a demand for payment of the fair value of such shares.

(8) A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

(9) A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

(10) A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

(11) On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

(a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),

(b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or

(c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9), in which case the shareholder's rights are reinstated as of the date the notice was sent.

(12) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

(a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or

(b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

(13) Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

(14) Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

(15) Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

(16) If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

(17) An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

(18) A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

(19) On an application to a court under subsection (15) or (16),

(a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and

(b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

(20) On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

(21) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

(23) A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

(24) If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(25) If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

(a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or

(b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(26) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

(a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or

(b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities."

QUESTIONS? NEED HELP VOTING?

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