AIR CANADA

News Releases

Air Canada and Chorus Aviation Finalize Amended and Extended Capacity Purchase Agreement for Jazz Regional Flying

$97.26 million Air Canada equity investment in Chorus reinforces partnership

- Capacity Purchase Agreement amended and extended by an additional 10 years ending December 31, 2035, securing Jazz's place in Air Canada's regional network for the next 17 years;
- Simplification and modernization of the Jazz fleet, with growth through more, larger-gauge aircraft. The Amendments will include various minimum levels of covered aircraft at different points in time, providing Air Canada the flexibility to optimize its fleet within its network strategy;
- Continuation of a highly successful pilot mobility agreement that provides Air Canada Express pilots with access to pilot careers at Air Canada on a planned basis.

MONTREAL and HALIFAX, Feb. 4, 2019 /CNW/ - Air Canada (TSX: AC) and Chorus Aviation Inc. (TSX: CHR) ("Chorus"), parent company of Jazz Aviation LP ("Jazz"), today confirmed that all conditions have been met and the previously announced amendment and extension of the Capacity Purchase Agreement (CPA) between Air Canada and Jazz has become effective. As announced on January 14, 2019, the improved CPA is effective retroactively as of January 1, 2019 and extends to December 31, 2035.

As part of the agreement to amend the CPA, Air Canada has also completed the $97.26 million equity investment in Chorus previously announced on January 14, 2019. Air Canada has acquired 15,561,600 Class B Voting Shares in the capital of Chorus, representing approximately 9.99% of the issued and outstanding Class A Variable Voting Shares and Class B Voting Shares of Chorus on a combined basis.

"Our improved CPA with Jazz, including our equity investment in Chorus, deepens an already strong partnership to the advantage of all parties and their stakeholders. It equips Air Canada with additional cost-effective means to compete in the all-important regional market segment and provides long-term stability to Chorus and Jazz. The ultimate beneficiaries of this agreement will be our customers, as it gives us greater flexibility to operate the aircraft best-suited to the communities we serve on convenient schedules, better connecting travellers to Air Canada's global network," said Calin Rovinescu, President and Chief Executive of Air Canada.

"We are extremely pleased and proud to have secured this long-term agreement with Air Canada," said Joe Randell, President and Chief Executive Officer, Chorus. "The strong alliance with Air Canada ensures a joint strategic response to an ever-changing industry. The benefits for both parties are significant and position us well for the future."

Highlights of the CPA Amendment

- With this amendment, the parties will effectively address increased domestic and international competition, changing market demand, and fluctuating fuel prices, through significant changes that will modernize and up-gauge the fleet.
- In total, the 17-year contract will provide Jazz $2.5 billion in minimum contracted revenues, of which $1.6 billion, or 65%, will be generated from aircraft leasing revenue, supporting the continued transformation of Chorus' business through the migration of CPA earnings to aircraft leasing. The amended CPA will provide for total incremental contracted revenue of $940 million; $310 million in fixed fees and $630 million in aircraft leasing under the CPA;
- Projected annual savings to Air Canada of approximately $50 million in each of 2019 and 2020, and cumulative savings of approximately $53 million between 2021 and 2025, both as compared to the 2015 CPA frame-work (from both fixed fee and performance incentive reductions); Beyond 2025 - a market competitive fixed fee for the extension period. This supports Air Canada's Cost Transformation Programs;
- Chorus will secure preferred partner status on the operation of aircraft with up to 50 seats and Air Canada will consolidate its existing CRJ regional capacity into the Jazz operation;
- Air Canada Deputy Chief Executive Officer and Chief Financial Officer, Michael Rousseau, will be appointed to the board of directors of Chorus.

For additional details on these transactions please see the Air Canada and Chorus Aviation media releases of January 14, 2019:

https://aircanada.mediaroom.com/2019-01-14-Air-Canada-Announces-Improvements-to-Capacity-Purchase-Agreement-with-Jazz-Aviation-LP-a-subsidiary-of-Chorus-Aviation-Inc-and-Equity-Investment-of-97-26-million-in-Chorus

https://www.chorusaviation.ca/2019-01-14-Chorus-Aviation-Announces-Agreement-to-Amend-and-Extend-Capacity-Purchase-Agreement-and-a-97-26-Million-Equity-Investment-by-Air-Canada

Caution Regarding Forward-Looking Information

This news release contains forward-looking statements within the meaning of applicable securities laws. Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Forward-looking statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors. Any forward-looking statements contained in this news release represent expectations as of the date of this news release and are subject to change after such date. However, except as required under applicable securities regulations, any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, is disclaimed.

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