



AIR CANADA

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Air Canada Completes Financing Transactions Raising Additional \$1.23 Billion

- *\$840 million Second Lien Secured Notes financing with proceeds of \$823 million*
- *US\$315 million Class C Pass Through Certificates, Series 2020-1 with proceeds of US\$300 million (\$405 million)*
- *A total of \$5.5 billion of liquidity raised since March 13, 2020*

MONTREAL, June 22, 2020 /CNW Telbec/ - Air Canada today announced that it recently closed two additional financing transactions for net proceeds of \$1.23 billion. Since the start of the COVID-19 pandemic in the first quarter of 2020, Air Canada has raised \$5.5 billion of liquidity.

On June 22, 2020, Air Canada completed a private offering of \$840 million aggregate principal amount of 9.00% Second Lien Secured Notes due 2024 (the "2024 Notes"), which were sold at 98% of par. The 2024 Notes are secured obligations of Air Canada, secured on a second lien basis by certain real estate interests, ground service equipment, certain airport slots and gate leaseholds, and certain routes and the airport slots and gate leaseholds utilized in connection with those routes.

Earlier in June, Air Canada completed a private offering of one tranche of Class C EETCs with a combined aggregate face amount of approximately US\$315 million, which were sold at 95.002% of par. The Class C tranche ranks junior to the previously issued Series 2015-1, Series 2015-2, and Series 2017-1 EETCs, and is secured by liens on the 27 aircraft financed under the Series 2015-1, Series 2015-2, and Series 2017-1 EETCs. The Class C EETCs have an interest rate of 10.500% per annum, and a final expected distribution date of July 15, 2026.

"The fact Air Canada was able to add \$1.23 billion to its liquidity with these last two transactions without utilizing any of its previously disclosed unencumbered assets leaves the airline in an excellent position to access additional funds should the need arise. Complementing these efforts have been ongoing initiatives to reduce cash burn through such measures as workforce reductions, a \$1.1 billion Cost Transformation Program and capacity and network rationalization," said Pierre Houle, Managing Director and Treasurer of Air Canada.

In addition to these more recent financings, Air Canada also concluded the following financing transactions in 2020:

- In March 2020, Air Canada drew down its US\$600 million and \$200 million revolving credit facilities for aggregate proceeds of \$1.03 billion.
- In April 2020, Air Canada concluded a 364-day term loan in the amount of US\$600 million, secured by aircraft and spare engines, for proceeds of \$829 million.
- In late April 2020, Air Canada concluded a bridge financing of \$788 million for 18 Airbus A220 aircraft which Air Canada expects to replace with longer-term secured financing arrangements later in 2020.
- In June 2020, Air Canada concluded an underwritten marketed public offering of 35,420,000 Class A Variable Voting Shares and/or Class B Voting Shares of the Company at a price to the public of \$16.25 per share, for aggregate proceeds of \$575.6 million, and a concurrent marketed private placement of convertible senior unsecured notes due 2025 for aggregate proceeds of US\$747.5 million (\$1.01 billion).

"We entered 2020 on the doorstep of investment grade with a very strong balance sheet, low net leverage and significant liquidity, before the COVID-19 pandemic and government-imposed quarantines and border restrictions destroyed demand and depleted cash. Air Canada's strong relative position has allowed us to navigate through this crisis and we have full confidence that we will be successful in maintaining liquidity at levels more than sufficient to meet the challenges and take advantage of the opportunities ahead. With these latest transactions Air Canada has now raised approximately \$5.5 billion in 2020 and expects to end the second quarter of 2020 with at least \$9 billion in liquidity," concluded Mr. Houle.

Air Canada is utilizing the net proceeds from these transactions to supplement its working capital and for other general corporate purposes. The net proceeds from the financings will serve to increase Air Canada's cash position, thereby allowing for additional flexibility both from an operational standpoint and in the implementation of its planned mitigation and recovery measures in response to the COVID-19 pandemic.

Air Canada's unencumbered asset pool (excluding the value of Aeroplan and Air Canada Vacations) amounts to approximately

\$2.5 billion at current exchange rates. AirCanada will continue to explore financing arrangements should additional liquidity be required or to refinance existing debt to push out maturities.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This news release includes "forward-looking statements" within the meaning of applicable securities laws. Such forward-looking statements may be based on forecasts of future results and estimates of amounts not yet determinable. These statements may involve, but are not limited to, comments relating to guidance, strategies, expectations, planned operations or future actions, and the Company's expectations with respect to the use of proceeds from the Offerings. Forward-looking statements are identified using terms and phrases such as "preliminary", "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. Forward-looking statements, by their nature, are based on assumptions, including those described herein and are subject to important risks and uncertainties. Forward-looking statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including those discussed below. The value of assets in Air Canada's unencumbered asset pool may be adversely impacted by a number of factors, including market and economic conditions and currency exchange rates.

Air Canada, along with the rest of the global airline industry, is facing a severe and abrupt drop in traffic and a corresponding decline in revenue as a result of the coronavirus ("COVID-19") pandemic and the travel restrictions imposed in many countries around the world, including Canada and the United States. The impact of the COVID-19 pandemic began to be felt in traffic and sales figures commencing in early March 2020. These impacts include drastic declines in earnings and cash from operations. There is very limited visibility on travel demand given government restrictions in place; these restrictions and concerns about travel due to the COVID-19 virus and passenger expectations about the need for certain precautions, such as physical distancing, are severely inhibiting demand. Air Canada cannot predict the full impact or the timing for when conditions improve, but believes that the impact of the COVID-19 pandemic will last at least three years. Air Canada is actively monitoring the situation and will respond as the impact of the COVID-19 pandemic evolves, which will depend on a number of factors including the course of the virus, government actions, and passenger reaction, none of which can be predicted with any degree of certainty.

Other factors that may cause results to differ materially from results indicated in forward-looking statements include those factors identified in Air Canada's public disclosure file available at www.sedar.com and, in particular, those identified in section 14 "Risk Factors" of Air Canada's First Quarter 2020 MD&A and section 20 "Risk Factors" of Air Canada's 2019 MD&A. The forward-looking statements contained in this news release represent Air Canada's expectations as of the date of this news release (or as of the date they are otherwise stated to be made) and are subject to change after such date. However, Air Canada disclaims any intention or obligation to update or revise any forward-looking statements whether because of new information, future events or otherwise, except as required under applicable securities regulations.

About Air Canada

Air Canada is Canada's largest domestic and international airline. Canada's flag carrier is among the 20 largest airlines in the world and in 2019 served over 51 million customers. Air Canada is a founding member of Star Alliance, the world's most comprehensive air transportation network. Air Canada is the only international network carrier in North America to receive a Four-Star ranking according to independent U.K. research firm Skytrax, which also named Air Canada the 2019 Best Airline in North America. For more information, please visit: aircanada.com/media, follow @AirCanada on [Twitter](https://twitter.com/AirCanada) and join Air Canada on [Facebook](https://www.facebook.com/AirCanada).

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