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Air Canada Revises the Terms of its Capacity Purchase Agreement with Chorus Aviation for Regional Flying

Jazz Aviation to become sole operator of Air Canada Express Flights

MONTREAL, March 1, 2021 /CNW Telbec/ - Air Canada today announced an agreement to amend the Capacity Purchase Agreement (CPA) with Jazz Aviation LP, a wholly-owned subsidiary of Chorus Aviation Inc., under which Jazz currently operates certain regional Air Canada Express flights.

Through the revised agreement, Air Canada will transfer operation of its Embraer E175 fleet to Jazz from Sky Regional and Jazz will become the sole operator of Air Canada Express services. The revisions to the CPA are subject to Jazz reaching an agreement with the Air Line Pilots Association, International. If this condition is satisfied, the CPA will be amended on a retroactive basis to January 1, 2021.

"Air Canada is consolidating its regional flying with Jazz in response to the ongoing devastating impact of COVID-19 upon the airline industry. This necessary realignment of our regional services will help Air Canada achieve efficiencies and reduce operating costs and cash burn by consolidating its regional operations with one provider. Moreover, by streamlining the regional fleet, this agreement will also position Air Canada to operate more competitively with a single provider as traffic returns following the pandemic," said Richard Steer, Senior Vice President, Operations and Express Carriers.

"Sky Regional has provided excellent service to Air Canada and its passengers over the past decade with an impeccable safety record and excellent on time performance and cost management. We thank Sky and all of its employees for their effort, dedication and valued partnership," said Michael Rousseau, President and Chief Executive Officer of Air Canada.

As a result of the CPA revisions and consolidation of regional flying, Air Canada expects to realize \$400 million in cost reductions over the 15-year term of the agreement (\$43 million per year until 2026 and \$18 million per year thereafter). This includes:

- Increasing near term-cost certainty as a result of the combined fleet under a single operator;
- Reducing Air Canada's overall regional flying compensation;
- Creating related operational costs savings;

In addition, the revised CPA will lower future contractual capital expenditure and leasing costs through a restructured CPA fleet, avoiding an estimated \$193 million in future capital expenditures.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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

About Air Canada

Air Canada is Canada's largest domestic and international airline, and in 2020 was among the top 20 largest airlines in the world.

It is Canada's flag carrier and a founding member of Star Alliance, the world's most comprehensive air transportation network. Air Canada is the only international network carrier in North America to receive a Four-Star ranking according to independent U.K. research firm Skytrax. In 2020, Air Canada was named Global Traveler's Best Airline in North America received for second straight year. In January 2021, Air Canada received APEX's Diamond Status Certification for its CleanCare+ biosafety program for managing COVID-19, the only airline in Canada to attain the highest APEX ranking. For more information, please visit: aircanada.com/media, follow Air Canada on [Twitter](#) and [LinkedIn](#), and join Air Canada on [Facebook](#).

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