AIR CANADA

News Releases

Air Canada Announces Agreement by Unions and Pionairs to Repurpose the 2009 Pension Share Trust

- ***Arrangement would see landmark repurposing of over 17.6 million Air Canada shares to allow lump sum payments to pensioners and voluntary separation packages for unionized and non-executive employees.***

MONTREAL, Nov. 12, 2021 /CNW Telbec/ - Air Canada today announced that its Canadian unions and the Air Canada Pionairs have agreed in principle to repurpose about 17.6 million Air Canada shares originally issued to a trust established in 2009. The repurposed shares have a current market value of about $455 million based on their latest closing price on the Toronto Stock Exchange (TSX) compared to a market value of about $24 million when the shares were issued to the trust in 2009. If all conditions are met, the shares in the trust will be gradually sold over a period of up to 15 years with the net proceeds from the sales used to make lump sum payments to Canadian pensioners and offer voluntary separation packages for senior unionized employees and non-executive employees.

Today's announcement has its origins in mutually beneficial cooperation that began in 2009 when Air Canada and its employees faced a $2.835 billion solvency deficit in the company's defined benefit Canadian pension plans. AirCanada and its Canadian unions, namely ACPA, CALDA, CUPE, the IAMAW and Unifor, and its retirees' organization, the Air Canada Pionairs, worked together to help address this solvency deficit. In return for their cooperation at that time, a total of 17,647,059 Air Canada Class B voting shares were issued to a share trust. The intent was that the net proceeds from the sale of these shares could be used in the future to pay solvency deficits in the Canadian pension plans if this became necessary. Since then, the financial position of the pension plans has so significantly improved that it showed a $2.9 billion solvency surplus as at January 1, 2021, allowing the shares that had been put aside in 2009 to be repurposed as announced today. The solvency surplus has continued to grow in 2021 reflecting an excellent high performing investment strategy over the past 10 years while maintaining a lower risk profile.

"Air Canada offers an incredible example of a company and its employees working together to overcome challenges and achieve shared success. By supporting our pension strategy since 2009, our unions, employees and pensioners have helped our company in its efforts to turn on its head a pension solvency deficit of almost $3 billion into a surplus of nearly the same amount. This was not only crucial to Air Canada's transformation into a global champion, but also helped protect our defined benefit plans," said Michael Rousseau, President and Chief Executive Officer of Air Canada.

"That cooperative spirit is on display again in this agreement to repurpose over 17.6 million shares for the benefit of our defined benefit plans' Canadian pensioners and active employees by providing a source of funding for lump sum payments to pensioners and

voluntary separation packages that may be offered to senior unionized employees and non-executive employees to help them explore new alternatives if they wish. I thank all stakeholders for their foresight and continued collaboration to ensure the long-term sustainability of Air Canada and the Canadian defined benefit plans."

Terms of letter of intent and other background

Under the letter of intent agreed to by the unions and Pionairs, if all conditions are met, the pension share trust would gradually sell Air Canada shares beginning as early as the end of 2022 and continuing over a period not extending beyond 2037.

Upon consummation of the transactions contemplated by the letter of intent, trust shares having a value of $150 million would be allocated for voluntary separation packages (1) for senior Air Canada unionized employees to be made available in three rounds between 2024 and 2037 and (2) for Air Canada non-executive employees by 2037. Remaining trust shares (valued at about $305 million based on the latest TSX closing price for Air Canada shares) would be allocated for lump sum payments to Air Canada Canadian pensioners (unionized and non-unionized) of which the first $100 million could be paid as early as the end of 2022 with any remaining available proceeds to be paid out periodically to 2037.

There are several conditions to the completion of the agreement and the sale of the repurposed shares. These include the conclusion of definitive documentation, and the receipt of all required regulatory and other approvals. There can be no assurance that these or any other conditions will be satisfied.

For additional information relating to Air Canada's pension plans, please refer to Air Canada's public disclosure file available at www.sedar.com.

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 in this news release and the documents incorporated by reference herein and are subject to important risks and uncertainties. Forward-looking statements cannot be relied upon due to, among other things, changing external events and general uncertainties of the business of Air Canada. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including those discussed below.

Air Canada, along with the global airline industry, continues to face significant decrease in traffic, as compared to the year 2019, and a corresponding decline in revenue and cash flows as a result of the COVID-19 pandemic and the travel restrictions imposed in many countries around the world. While it is improving, there is limited visibility on travel demand given changing government restrictions in place around the world and the severity of the restrictions which have only recently begun to ease in Canada. Air Canada cannot predict the full impact or the timing for when conditions may improve. 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, availability of rapid, effective testing, vaccinations and treatments for the virus, government actions, and passenger reaction, the complexities of restarting an industry whose many stakeholders must act in coordination with each other as well as timing and extent of a recovery in international and business travel which are important segments of Air Canada's markets, none of which can be predicted with certainty.

Other factors that may cause results to differ materially from results indicated in forward-looking statements include economic and geopolitical conditions, Air Canada's ability to successfully achieve or sustain positive net profitability, industry and market conditions and the demand environment, Air Canada's ability to pay its indebtedness and maintain or increase liquidity, competition, energy prices, Air Canada's dependence on technology, cybersecurity risks, Air Canada's ability to successfully implement appropriate strategic and other important initiatives (including Air Canada's ability to manage operating costs), other epidemic diseases, terrorist acts, war, Air Canada's dependence on key suppliers, casualty losses, changes in laws, regulatory developments or proceedings, Air Canada's ability to successfully operate its new loyalty program, climate change and environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), interruptions of service, Air Canada's dependence on regional and other carriers, Air Canada's ability to preserve and grow its brand, employee and labour relations and costs, Air Canada's dependence on Star Alliance® and joint ventures, limitations due to restrictive covenants, pending and future litigation and actions by third parties, currency exchange, risks generally relating to the grounding of aircraft fleet types, pension plans, Air Canada's ability to attract and retain required personnel, insurance issues and costs, as well as the factors identified in Air Canada's public disclosure file available at ***www.sedar.com*** *and, in particular, those identified in section 17 "Risk Factors" in Air Canada's 2020 MD&A and in section 14 "Risk Factors" of Air Canada's Third Quarter 2021 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 2019 was among the top 20 largest airlines in the world. It is Canada's flag carrier and a founding member ofStar Alliance, the world's most comprehensive air transportation network. Air Canada is the only international network carrier inNorth America to receive a Four-Star ranking according to independent U.K. research firm Skytrax. In 2020, Air Canada was named Global Traveler's Best Airline in North America for the second straight year. In January 2021, Air Canada received APEX's Diamond Status Certification for the Air Canada CleanCare+ biosafety program for managing COVID-19, the only airline in Canada to attain the highest APEX ranking. AirCanada has also committed to a net zero emissions goal from all global operations by 2050. For more information, please visit: aircanada.com/media, follow Air Canada on Twitter and LinkedIn, and join Air Canada onFacebook.

Sign up for Air Canada news: aircanada.com

Media Resources:

Photos

Videos
B-Roll
Articles

SOURCE Air Canada

For further information: Contacts: media@aircanada.ca; Internet:aircanada.com/media

---

A STAR ALLIANCE MEMBER