AIR CANADA

News Releases

Air Canada Exits Government of Canada Financial Support as Industry Recovery Continues

MONTREAL, Nov. 19, 2021 /CNW Telbec/ - Air Canada today announced that due to its improved liquidity position and ongoing recovery from the pandemic it is withdrawing from further Government of Canada financial support. The support package, announced in April 2021, provided the carrier access to interest bearing loans of $5.375 billion through several separate credit facilities. To date, Air Canada has only accessed the facility solely dedicated to refunding customers' non-refundable tickets, while all other remaining facilities totaling $3.975 billion have not been used.

"Air Canada's recovery from COVID-19 continues. We are recalling employees, adding new routes and frequencies to our network, and restoring services, and, last quarter, we completed a $7.1-billion financing. Today, in another convincing sign of our progress, we are announcing our withdrawal from the major funding provisions of our support agreement with the Government of Canada for the $3.975 billion in facilities that were never accessed and remain unused," said Michael Rousseau, President and Chief Executive Officer.

"We deeply appreciate the Government of Canada's support as this helped maintain a level playing field at a time when governments around the world, recognizing the importance of air travel to their economies, were also assisting their national carriers in the face of the unprecedented downturn caused by COVID-19. In addition to helping preserve thousands of jobs and travel choice for Canadians, the assistance offered to Air Canada importantly served as an extra level of insurance that enabled us to raise additional liquidity on our own to manage the pandemic and give us sufficient resources to effectively compete in the post-pandemic marketplace."

Background

Air Canada's support agreement with the government, under the Large Employer Emergency Financing Facility, provided access to up to $5.375 billion in interest bearing loans and $500 million in equity for a total of $5.875 billion in liquidity. It consisted of several elements, including:

- A $1.5 billion secured revolving facility and three separate $825 million unsecured revolving credit facilities. None of the $3.975 billion available under these facilities was ever drawn and, under the terms of its agreement with the government, Air Canada was entitled to terminate them at any time without penalty and has done so.

- A $1.4 billion unsecured facility solely dedicated to refunding customers' non-refundable tickets. Approximately 58 per cent of eligible customers requested refunds, including those not covered by the government facility, with the balance voluntarily retaining future flight credits with the carrier. To date, Air Canada has accessed about $1.2 billion of the facility with the money going directly to customers. The money used for refunding the non-refundable tickets will be repaid as per the terms of the agreement with interest paid quarterly by Air Canada.

- The government purchased $500 million worth of Air Canada common shares at $23.18 per share, representing about 6 per cent of the current public float, which it continues to hold.

- Air Canada also issued to the government about 14.6 million 10-year warrants for the purchase of an equal number of Air Canada shares, at a price of approximately $27.27 per share. With the termination of the operating credit facilities, half of these warrants, which have not yet vested with the government, have been cancelled immediately. Subject to TSX approval, Air Canada intends to call the balance of the vested warrants for cancellation as per their terms at fair market value.

In the third quarter of 2021, Air Canada completed a series of financing transactions generating gross proceeds of about $7.1 billion. These financing transactions provided substantial liquidity to Air Canada and extended debt maturities out until near the end of the decade. With the release of its third quarter results on November 2, 2021, Air Canada reported that as of September 30, 2021, its unrestricted liquidity was approximately $14.4 billion and consisted of roughly $9.5 billion in cash and cash equivalents, short-term and long-term investments, and about $4.9 billion in available undrawn credit facilities, including the $3.975 billion in unused government facilities being cancelled with today's announcement.

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.

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