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Air Canada Announces Closing of Offering of Shares and Convertible Senior Notes, Raising Gross Proceeds of Nearly C\$1.6B

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MONTREAL, June 2, 2020 /CNW Telbec/ - Air Canada (TSX: AC) (the "Company") today announced the closing of its previously announced underwritten marketed public offering of 35,420,000 Class A Variable Voting Shares and/or Class B Voting Shares of the Company ("Shares") at a price to the public of C\$16.25 per Share (the "Share Offering"), for aggregate gross proceeds of C\$575,575,000, which includes the exercise in full by the underwriters of their over-allotment option to purchase up to 4,620,000 Shares for additional gross proceeds of C\$75,075,000, and its concurrent marketed private placement of convertible senior unsecured notes due 2025 ("Convertible Notes") for aggregate gross proceeds of US\$747,500,000 (or C\$1,018,842,500¹) (the "Convertible Notes Offering" and together with the Share Offering, the "Offerings"), which includes the exercise in full by the initial purchasers of their over-allotment option to purchase up to US\$97,500,000 (or C\$132,892,500¹) principal amount of Convertible Notes.

The Company will use the net proceeds from the Offerings to supplement the Company's working capital and other general corporate purposes. The net proceeds from the Offerings 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.

"Coming into 2020, Air Canada enjoyed a very strong liquidity position, before the COVID-19 pandemic and government-imposed quarantines and border restrictions destroyed demand and depleted cash. This important financing will allow us to keep our strong relative position and better manage debt leverage and risk as government restrictions are lifted and the market recovers. The positive reaction from the public markets is a strong endorsement of the strength of our franchise," said Michael Rousseau, Deputy Chief Executive Officer & Chief Financial Officer of the Company.

The Shares offered in the Share Offering and the Convertible Notes and Class A Variable Voting Shares and/or Class B Voting Shares of the Company issuable upon conversion of the Convertible Notes have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "Securities Act"), or any state securities laws and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the rules promulgated thereunder and applicable state securities laws.

TD Securities Inc., J.P. Morgan Securities Canada Inc. and Citigroup Global Markets Canada Inc. acted as active bookrunners for the Share Offering. J.P. Morgan Securities LLC, TD Securities Inc. and Citigroup Global Markets Canada Inc. acted as active bookrunners for the Convertible Notes Offering.

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.

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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¹ Based on the daily exchange rate of the Bank of Canada for June 1, 2020.

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