



AIR CANADA

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Air Canada Announces Longer-Term Refinancings to Replace Short-Term Facilities

- *\$787.7 million secured refinancing of 18 Airbus A220 aircraft*
- *US\$552.6 million Class A and B Enhanced Equipment Trust Certificates, Series 2020-2*

MONTREAL, Sept. 23, 2020 /CNW Telbec/ - Air Canada (TSX: AC) (the "Company") today announced that it recently completed two longer-term refinancing transactions for a total amount of approximately \$1.52 billion, replacing short-term facilities.

The first transaction consists of a committed Secured Facility totalling \$787.7 million to finance Air Canada's purchase of the first 18 Airbus A220 aircraft with a term of 12 years from delivery of each aircraft on a floating interest basis based on CDOR. This equates to an interest rate of approximately 2.39% using current CDOR rates. As aircraft are financed under this new Canadian dollar Secured Facility, the Bridge Financing of \$787.7 million for the same 18 Airbus A220 aircraft put in place in April 2020 will be repaid concurrently. Any amount left unpaid under the Bridge Financing will be repaid following the financing of the 18th A220 aircraft expected in the first quarter of 2021.

The second transaction consists of a private placement of two tranches of Enhanced Equipment Trust Certificates, the proceeds of which were used to purchase equipment notes issued by Air Canada and secured by three Boeing 787-9 aircraft, three Boeing 777-300ER aircraft, one Boeing 777-200LR and nine A321-200 aircraft. The two tranches of certificates have a combined aggregate face amount of U.S.\$552.6 million and a weighted average interest rate of 5.73%. The private placement is comprised of Class A Certificates and Class B Certificates. The Class A Certificates totalling U.S.\$452.6 million have an interest rate of 5.25% per annum and a final expected distribution date of April 1, 2029. The Class B Certificates totalling U.S.\$100 million have an interest rate of 9.00% per annum and a final expected distribution date of October 1, 2025. Air Canada used the proceeds from this financing together with cash on hand to repay in full the U.S.\$600 million 364-day term loan originally put in place in April 2020.

The debt maturities in 2021 previously disclosed in our Q2 2020 results will be, on a pro forma basis, reduced by approximately \$1.42 billion and are now estimated to total \$1.71 billion, once both aforementioned bridge loans are fully repaid.

"These two refinancing transactions were completed in an extremely challenging environment and continue to demonstrate Air Canada's ability to access financial markets on attractive terms and conditions to either improve liquidity or to refinance existing debt to push out maturities longer term and lower overall financial risk," said Pierre Houle, Managing Director and Treasurer of the Company.

The Class A and Class B Enhanced Equipment Trust Certificates (the "Certificates") have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and state securities laws. The Certificates were or will be offered and sold only to persons reasonably believed to be qualified institutional buyers in reliance on Rule 144A under the Securities Act, and to persons other than U.S. persons in transactions outside the United States in reliance on Regulation S under the Securities Act. The Certificates have not been qualified for sale to the public under applicable Canadian securities laws and, accordingly, any offer and sale of the Certificates in Canada was or will be made on a basis that is exempt from the prospectus requirement of such securities laws. This press release shall not constitute an offer to sell the Certificates or the solicitation of an offer to buy the Certificates in any jurisdiction.

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. 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, and particularly in Canada as well as 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 changing government restrictions in place around the world and the severity of the restrictions in Canada; these restrictions and concerns about travel due to the COVID-19 pandemic 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. AirCanada 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, as well as timing of a recovery in international and business travel which are important segments of Air Canada's market, 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 Second 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://facebook.com/AirCanada).

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