



AIR CANADA

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Air Canada and Government of Canada Conclude Agreements on Liquidity Program

- *Financial package makes available repayable loans and equity*

MONTREAL, April 12, 2021 /CNW/ - Air Canada announced today that it has entered into a series of debt and equity financing agreements with the Government of Canada, which will allow Air Canada to access up to \$5.879 billion in liquidity through the Large Employer Emergency Financing Facility (LEEFF) program.

"Air Canada entered the pandemic more than a year ago with one of the global airline industry's strongest balance sheets relative to its size. We have since raised an additional \$6.8 billion in liquidity from our own resources to sustain us through the pandemic, as air traffic ground to a virtual halt in Canada and internationally," said Michael Rousseau, President and Chief Executive Officer of Air Canada.

"The additional liquidity program we are announcing today achieves several aligned objectives as it provides a significant layer of insurance for Air Canada, it enables us to better resolve customer refunds of non-refundable tickets, maintain our workforce and re-enter regional markets. Most importantly, this program provides additional liquidity, if required, to rebuild our business to the benefit of all stakeholders and to remain a significant contributor to the Canadian economy through its recovery and for the long term.

"As vaccine deployments ramp up, we continue to work with the Government of Canada on the evolution of safe and science-based test and quarantine relief measures with a view to safely restarting our sector. We know that Canadians are looking forward to re-connecting with friends and family and taking those long-awaited vacations and business trips and we will be ready to safely connect Canadians within Canada and Canada to the world," said Mr. Rousseau.

The financial package provides for fully repayable loans that Air Canada would only draw down as required, as well as an equity investment, and is comprised of:

- Gross proceeds of \$500 million for Air Canada shares at a price of \$23.1793 per share;
- \$1.5 billion in the form of a secured revolving credit facility at a 1.5% premium to the Canadian Dollar Offered Rate (CDOR); the facility is secured on a first lien basis by the assets of Aeroplan Inc., Air Canada's shares in Aeroplan as well as certain assets of Air Canada, including certain intellectual property relating to the Aeroplan loyalty program;
- \$2.475 billion in the form of three unsecured non-revolving credit facilities of \$825 million each with: the first, five-year tranche at a 1.75% premium to CDOR per annum; the second, six-year tranche at 6.5% per annum (increasing to 7.5% after 5 years); and the third, seven-year tranche at 8.5% per annum (increasing to 9.5% after 5 years);
- As part of the financial package, Air Canada issued an aggregate of 14,576,564 warrants exercisable for the purchase of an equal number of Air Canada shares, subject to customary adjustments, at a price of \$27.2698 per share during a 10-year term, representing 10% of the total commitment available under the above secured and unsecured credit facilities; 50% of the warrants vested concurrently with the implementation of the credit facilities and the remaining 50% of the warrants will vest on a proportional basis to the amounts that Air Canada may draw under the above unsecured credit facilities;
- Up to approximately \$1.4 billion in the form of an unsecured credit facility tranche to support customer refunds of non-refundable tickets. The facility will have a seven-year term and carry an annual interest rate of 1.211%.

As part of the financial package, Air Canada has agreed to a number of commitments related to customer refunds, service to regional communities, restrictions on the use of the funds provided, employment and capital expenditures. These include:

- Beginning April 13, 2021, offering eligible customers who purchased non-refundable fares but did not travel due to COVID-19 since February 2020, the option of a refund to the original form of payment. In support of its travel agency partners, Air Canada will not retract agency sales commissions on refunded fares;
- The resumption of service or access to Air Canada's network for nearly all regional communities where service was suspended because of COVID-19's impact on travel, through direct services or new interline agreements with third party regional carriers;
- Restricting certain expenditures, and restricting dividends, share buybacks and senior executive compensation;

- Obligations to maintain employment at levels which are no lower than those at April 1, 2021; and
- The completion of the airline's acquisition of 33 Airbus A220 aircraft, manufactured at Airbus Mirabel, Quebec facility. Air Canada has also agreed to complete its existing firm order of 40 Boeing 737 Max aircraft. Completion of these orders remains subject to the terms and conditions of the applicable purchase agreements.

In connection with the Government's equity investment, Air Canada has agreed to provide customary registration rights. The Air Canada shares and warrants issued to the Government are subject to certain transfer restrictions as well as an exercise cap which limits the Government's aggregate voting rights from the shares acquired pursuant to this investment (including upon any exercise of the warrants) to 19.99%.

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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