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Air Canada Announces Offer to Purchase up to US\$300 million aggregate principal amount of its 4.000% Convertible Senior Notes due 2025

MONTREAL, Nov. 14, 2022 /CNW Telbec/ - Air Canada (TSX: AC) today announced that it has launched a cash tender offer (the "**Offer**"), which also constitutes an issuer bid under Canadian securities laws, pursuant to which Air Canada will offer to purchase for cancellation up to US\$300 million aggregate principal amount of its outstanding 4.000% Convertible Senior Notes due July 1, 2025 (CUSIP No. 008911 BF5) (the "**Notes**") at a purchase price of US\$1,220 in cash per US\$1,000 principal amount of Notes, plus a cash payment in respect of all accrued and unpaid interest on such Notes up to, but excluding, the date on which such Notes are taken up by Air Canada pursuant to the Offer. The Offer will expire at 11:59 pm (Montreal time) on December 19, 2022, unless extended, varied or withdrawn by Air Canada.

If the principal amount of all Notes properly deposited or tendered and not withdrawn in accordance with the Offer exceeds in the aggregate US\$300 million (or such larger principal amount as Air Canada, in its sole discretion, may determine it is willing to take up and pay for, subject to applicable law), then the Notes to be purchased by Air Canada will be purchased on a pro rata basis according to the principal amount of Notes deposited or tendered by the holders of Notes ("**Noteholders**").



The Notes trade on an over the counter market. As of November 11, 2022, there was US\$540.2 million principal amount of Notes issued and outstanding.

Air Canada will fund any purchases of Notes pursuant to the Offer from available cash on hand. Air Canada believes that the purchase of Notes pursuant to the Offer is in the best interests of the company and represents an efficient use of Air Canada's financial resources, allowing it to further deleverage its balance sheet.

The Offer is not conditional upon any minimum principal amount of Notes being deposited or tendered, but is subject to various other conditions as detailed in the offer to purchase, its accompanying issuer bid circular, and the related letter of transmittal, containing the terms and conditions of the Offer and instructions for Noteholders wishing to tender their Notes pursuant to the Offer (collectively, "**Offer Documents**"). The Offer Documents will be mailed to registered Noteholders on November 14, 2022 and will be filed with the applicable securities regulators and available on SEDAR at www.sedar.com. Free copies of the Offer Documents may also be obtained by contacting the Tender Agent (as defined below) at the numbers below.

Ernst & Young LLP (the "**Valuator**") was engaged by Air Canada as the independent valuator to prepare a formal valuation of the Notes in accordance with applicable Canadian securities laws. The valuation report contains the Valuator's opinion that, based on the scope of their review and subject to the assumptions, restrictions and limitations provided therein, the fair market value of the Notes, exclusive of accrued interest, per US\$1,000 principal amount of Notes, at November 11, 2022, ranges from approximately US\$1,165 to US\$1,235, or a mid-point of US\$1,200. A copy of the valuation report will be attached to the issuer bid circular. The valuation report is not, and should not be construed to be, as a recommendation to a Noteholder or to others, to take any course of action.

All of the Notes are held in book-entry form. If you hold Notes through a broker, dealer, commercial bank, trust company or other nominee, you must contact such broker, dealer, commercial bank, trust company or other nominee if you wish to tender Notes pursuant to the Offer. You should check with such broker, dealer, commercial bank, trust company or other nominee to determine whether they will charge you a fee for tendering Notes on your behalf. You should also confirm with the broker, dealer, bank, trust company or other nominee any deadlines by which you must provide your tender or deposit instructions, because the relevant deadline set by such nominee may be earlier than the deadlines set forth herein.

D.F. King & Co., Inc. has been engaged by Air Canada to act as depositary and information and tender agent for the Offer (the "**Tender Agent**"). Noteholders who have questions with respect to the Offer, or require any assistance with respect to the Offer, including how to tender Notes pursuant to the Offer, may contact the Tender Agent by telephone at (888) 541-9895 (toll-free in North America) or at (212) 269-5550 (collect call outside North America) or by email at: ac@dfking.com.

Morgan Stanley (the "**Dealer Manager**") is acting as dealer manager to Air Canada in connection with the Offer. Any questions or requests for information may be directed to the Dealer Manager at 855-483-0952 (toll-free).

None of Air Canada, its directors, the Dealer Manager, the Tender Agent, the Valuator or any of their respective affiliates, makes any recommendation to any Noteholder as to whether to deposit or refrain from depositing all or any portion of their Notes under the Offer. **Noteholders are strongly urged to review and evaluate carefully all information in the Offer Documents, to consult their own financial, tax and legal advisors, and to make their own decisions as to whether to deposit or refrain from depositing or tendering their Notes to the Offer and, if deposited or tendered, what principal amount of Notes to deposit or tender. Noteholders should carefully consider the income tax consequences of accepting the Offer and depositing Notes to the Offer.**

This press release is for informational purposes only and does not constitute an offer to buy or the solicitation of an offer to sell Notes. The solicitation and the offer to buy the Notes will only be made pursuant to Offer Documents to be filed with the applicable securities regulators in Canada.

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. These statements also include, statements related to the expiration of the Offer, the timing of the expiry of the Offer, and the take up and payment for Notes deposited pursuant to the Offer, the source of funds for the Offer and Air Canada's expectation regarding value to shareholders as a result of the Offer.

Forward-looking statements, by their nature, are based on assumptions including those described in this news release 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 volatility in the market price of the securities of Air Canada, satisfaction or waiver of the conditions to the Offer, the extent to which Noteholders determine to tender their Notes to the Offer, the ongoing effects from the COVID-19 pandemic, economic and geopolitical conditions such as the military conflict between Russia and Ukraine, 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, Air Canada's dependence on technology, cybersecurity risks, energy prices, 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 (including government agencies and other stakeholders supporting airport and airline operations), Air Canada's ability to successfully operate its loyalty program, interruptions of service, Air Canada's ability to attract and retain required personnel, the availability and onboarding of Air Canada's workforce, casualty losses, changes in laws, regulatory developments or proceedings, climate change and environmental factors (including weather systems and other natural phenomena and factors arising from anthropogenic sources), 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, pending and future litigation and actions by third parties, currency exchange, limitations due to restrictive covenants, insurance issues and costs, pension plans, 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 18 "Risk Factors" in Air Canada's 2021 MD&A and section 14 "Risk Factors" of Air Canada's 2022 Third Quarter 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 airline, the country's flag carrier and a founding member of Star Alliance, the world's most comprehensive air transportation network. Air Canada provides scheduled passenger service directly to 50 airports in Canada, 47 in the United States and 69 internationally. It holds a Four-Star ranking from Skytrax. Air Canada's Aeroplan program is Canada's premier travel loyalty program, where members can earn or redeem points on the world's largest airline partner network of 45 airlines, plus through an extensive range of merchandise, hotel and car rental rewards. Its freight division, Air Canada Cargo, provides air freight lift and connectivity to hundreds of destinations across six continents using Air Canada's passenger flights and cargo-only flights with its fleet of Boeing 767-300 freighters. Air Canada has committed to a net zero emissions goal from all global operations by 2050.

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