

Air Canada Launches Tender Offers and Consent Solicitations for its 9.250% Senior Secured Notes due 2015, 10.125% Senior Secured Notes due 2015, and 12.000% Senior Second Lien Notes due 2016

MONTREAL, June 14, 2013 /CNW Telbec/ - Air Canada today announced that it has launched cash tender offers for any and all of its 9.250% Senior Secured Notes due 2015 (the "USD Senior Secured Notes"), 10.125% Senior Secured Notes due 2015 (the "CAD Senior Secured Notes" and together with the USD Senior Secured Notes, the "Senior Secured Notes"), and 12.000% Senior Second Lien Notes due 2016 (the "USD Second Lien Notes") (collectively, the "Notes") for the cash consideration per US\$1,000 or C\$1,000 principal amount, as applicable, set forth next to the corresponding series of Notes in the table below. These offers consist of three separate offers, one for each series of Notes listed below (each, an "Offer," and collectively, the "Offers"). In connection with the Offers, Air Canada is also soliciting consents (the "Consent Solicitations") to amend the Notes and the respective indentures that govern them to eliminate most of the restrictive covenants and certain events of default contained in the indentures (the "Proposed Indenture Amendments") and to release all of the collateral securing the Notes (the "Proposed Collateral Release Amendments" and, together with the Proposed Indenture Amendments, the "Proposed Amendments"). The Offers and the Consent Solicitations are being made pursuant to an Offers to Purchase and Consent Solicitations Statement, dated June 14, 2013 (the "Statement"), and related Letters of Transmittal and Consent, each dated June 14, 2013 (the "Letters of Transmittal" and, collectively with the Statement, the "Offer Materials").

Information related to the Notes, the Offers and the Consent Solicitations is listed in the table below. The Offer Materials more fully set forth the terms and conditions of the Offers and the Consent Solicitations.

Description of Notes	CUSIP (144A/Reg S)	ISIN	Outstanding Principal Amount	Tender Offer Consideration ⁽¹⁾	Early Tender Premium ⁽¹⁾	Total Consideration ⁽¹⁾⁽²⁾
9.250% Senior Secured Notes due 2015	008911AK5/ C01026AV2	USC01026AV28/ US008911AK56	US\$600,000,000	US\$1,020.70	US\$30.00	US\$1,050.70
10.125% Senior Secured Notes due 2015	008911AM1/ 008911AN9	CA008911AM15/ CA008911AN97	C\$300,000,000	C\$1,025.25	C\$30.00	C\$1,055.25
12.000% Senior Second Lien Notes due 2016	008911AP4/ C01026AW0	USC01026AW01/ US008911AP44	US\$200,000,000	US\$1,067.20	US\$30.00	US\$1,097.20

(1) Per US\$1,000 principal amount of USD Senior Secured Notes and USD Second Lien Notes or C\$1,000 principal amount of CAD Senior Secured Notes, as applicable.

(2) Includes the Early Tender Premium.

Holders who validly tender (and do not validly withdraw) their Notes and validly deliver (and do not validly revoke) their consents on or prior to 5:00 p.m., New York City time, on June 27, 2013, unless extended or earlier terminated (the "Early Tender Deadline"), will be eligible to receive US\$1,050.70, C\$1,055.25 and US\$1,097.20 per US\$1,000 or C\$1,000 principal amount, as applicable, of USD Senior Secured Notes, CAD Senior Secured Notes and USD Second Lien Notes, respectively (the "Total Consideration"), if such Notes are accepted for purchase. The Total Consideration includes an early tender payment of US\$30.00 or C\$30.00 per US\$1,000 or C\$1,000 principal amount, as applicable, of Notes.

As described more fully in the Statement, the Total Consideration with respect to the Senior Secured Notes was determined with consideration given to Air Canada's right to redeem 10% of the original principal balance of each series of such Notes at 103% of the principal amount thereof (a "10% Redemption") and Air Canada's right to redeem the balance of such Notes at a redemption price of, beginning August 1, 2013, 104.625% of the principal amount thereof in the case of the USD Senior Secured Notes and 105.063% of the principal amount thereof in the case of the CAD Senior Secured Notes (a "Senior Secured Notes Early Redemption"). Air Canada currently intends to redeem any Senior Secured Notes that remain outstanding following the consummation of the Offers as part of an exercise of its satisfaction and discharge rights under the indenture governing the Senior Secured Notes pursuant to a 10% Redemption, with any remaining outstanding balance of such Notes to be redeemed pursuant to a Senior Secured Notes Early Redemption at the applicable August 1, 2013 redemption prices. Similarly, Air Canada intends to redeem any USD Second Lien Notes that remain outstanding following the consummation of the Offers as part of an exercise of its satisfaction and discharge rights under the indenture governing the USD Second Lien Notes at a redemption price of 109% of the principal amount thereof.

The Offers and Consent Solicitations will expire at 11:59 p.m., New York City time, on July 12, 2013, unless extended or earlier

terminated (as extended or earlier terminated, the "Expiration Time").

Holders who validly tender (and do not validly withdraw) their Notes and deliver (and do not validly revoke) their consents after the Early Tender Deadline but on or before the Expiration Time will receive US\$1,020.70, C\$1,025.25 and US\$1,067.20 per US\$1,000 or C\$1,000 principal amount, as applicable, of USD Senior Secured Notes, CAD Senior Secured Notes and USD Second Lien Notes, respectively (the "Tender Offer Consideration"), if such Notes are accepted for purchase.

Upon the terms and conditions described in the Offer Materials, payment for Notes accepted for purchase will be made (a) with respect to Notes validly tendered and not validly withdrawn at or prior to the Early Tender Deadline, on any date, at the Company's sole option, between the Early Tender Deadline and the Expiration Time (which payment date is currently expected to be July 3, 2013), and (b) with respect to Notes validly tendered after the Early Tender Deadline but at or prior the Expiration Time, promptly after the Expiration Time. Holders whose tendered Notes are accepted for purchase also will receive accrued and unpaid interest from the most recent interest payment date for the Notes, to, but not including, the applicable payment date for the Notes in the Offers.

The Offers and Consent Solicitations are part of an anticipated refinancing of Air Canada's outstanding indebtedness and are subject to the satisfaction or waiver of certain conditions, including a financing condition and general conditions. **The Offers are not conditioned upon receipt of the requisite consents with respect to the Proposed Amendments.** With respect to each Offer and Consent Solicitation, if any conditions to such Offer and Consent Solicitation are not satisfied, Air Canada is not obligated to accept for payment, purchase or pay for, and may delay the acceptance for payment of, any tendered Notes in respect of such Offer and Consent Solicitation and may even terminate or withdraw the Offer and Consent Solicitation.

Consents in respect of at least a majority in aggregate principal amount of the outstanding USD Senior Secured Notes and CAD Senior Secured Notes (voting together as a single class) are required to approve the Proposed Indenture Amendments under the indenture governing the Senior Secured Notes, and consents in respect of at least a majority in aggregate principal amount of the outstanding USD Second Lien Notes are required to approve the Proposed Indenture Amendments under the indenture governing the USD Second Lien Notes. Consents in respect of at least 75% in aggregate principal amount of the outstanding USD Senior Secured Notes and CAD Senior Secured Notes (voting together as a single class) are required to approve the Proposed Collateral Release Amendments under the indenture governing the Senior Secured Notes, and consents in respect of at least 75% in aggregate principal amount of the outstanding USD Second Lien Notes are required to approve the Proposed Collateral Release Amendments under the indenture governing the USD Second Lien Notes.

Holders may not tender their Notes without delivering their consents pursuant to the Consent Solicitations and may not deliver consents without tendering their Notes pursuant to the Offers; and holders are not permitted to validly revoke a consent without validly withdrawing the previously tendered Notes to which the consent relates. Notes tendered can only be withdrawn, and related consents revoked, before 5:00 p.m., New York City time, on June 27, 2013, unless extended or earlier terminated, except in certain limited circumstances where additional withdrawal rights are required by law.

The complete terms and conditions of the Offers and Consent Solicitations are described in the Offer Materials, copies of which may be obtained by contacting Global Bondholder Services Corporation, the Information Agent for the Offers and related Consent Solicitations with respect to the USD Senior Secured Notes and USD Second Lien Notes, at (866) 794-2200 (U.S. toll-free) or (212) 430-3774, or by contacting CST Phoenix Advisors, the Information Agent for the Offer and related Consent Solicitation with respect to the CAD Senior Secured Notes, at (800) 332-6309 (North America toll-free) or 201-806-2222 (collect calls). Air Canada has engaged Citigroup Global Markets Inc. to serve as dealer manager and solicitation agent for the Offers and Consent Solicitations. Questions concerning the Offers and Consent Solicitations should be directed to Citigroup Global Markets Inc. at (800) 558-3745 (toll-free) or (212) 723-6106.

This announcement is not an offer to purchase, a solicitation of an offer to sell or a solicitation of consents with respect to the Notes or any new securities. The Offers and Consent Solicitations are made solely by means of the Offer Materials. The Offers and Consent Solicitations are not being made in any jurisdiction in which the making or acceptance thereof would not be in compliance with the securities, "blue sky" or other laws of such jurisdiction. None of Air Canada, the dealer manager, the information agents, the depositaries, the trustee and the collateral trustees under the indentures governing the Notes or any of their respective affiliates is making any recommendation as to whether or not holders should tender all or any portion of their Notes in the Offers or deliver their consents to the Proposed Amendments and, if so, as to the amount of Notes to tender.

About Air Canada

Air Canada is Canada's largest domestic and international airline serving more than 175 destinations on five continents. Canada's flag carrier is the 15th largest commercial airline in the world and in 2012 served close to 35 million customers. Air Canada provides scheduled passenger service directly to 59 Canadian cities, 53 destinations in the United States and 67 cities in Europe, the Middle East, Asia, Australia, the Caribbean, Mexico and South America. Air Canada is a founding member of Star

Alliance, the world's most comprehensive air transportation network serving 1,329 destinations in 194 countries. 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 that ranked Air Canada in a worldwide survey of more than 18 million airline passengers as Best International Airline in North America in 2012 for the third consecutive year. For more information, please visit: www.aircanada.com.

Caution Regarding Forward-Looking Information

This press release includes forward-looking statements within the meaning of applicable securities laws. Forward-looking statements in this press release may involve, but are not limited to, statements regarding the payment of the Total Consideration and the Tender Offer Consideration, anticipated amendments to the indentures governing the Notes and the release of collateral securing the Notes, Air Canada's intention to redeem any untendered Notes, anticipated refinancing plans and related matters. Forward-looking statements are identified by the use of 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. Risks, uncertainties and assumptions that could cause actual results to differ materially from the results indicated in the forward-looking statements include, among other things, the successful completion and composition of any refinancing transaction, the completion of the Offers and the receipt of consents sufficient to approve the Proposed Indenture Amendments and Proposed Collateral Release Amendments.

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 and the capital markets. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including without limitation, industry, market, credit and economic conditions, the ability to reduce operating costs and secure financing, pension issues, energy prices, employee and labour relations, currency exchange and interest rates, competition, war, terrorist acts, epidemic diseases, environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), insurance issues and costs, changes in demand due to the seasonal nature of the business, supply issues, changes in laws, regulatory developments or proceedings, pending and future litigation and actions by third parties as well as the factors identified throughout this news release and those identified throughout Air Canada's public disclosure file available at www.sedar.com. In particular, the proposed Offers and Consent Solicitations are subject to general market and other conditions and there are no assurances that the proposed Offers and Consent Solicitations will be completed or that the terms of the Offers and Consent Solicitations will not be modified. 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 as a result of new information, future events or otherwise, except as required under applicable securities regulations.

SOURCE: Air Canada

For further information:

Isabelle Arthur (Montréal) 514 422-5788
Peter Fitzpatrick (Toronto) 416 263-5576
Angela Mah (Vancouver) 604 270-5741

Internet : aircanada.com

A STAR ALLIANCE MEMBER

