AIR CANADA ANNOUNCES PRICING OF C$1.25 BILLION REFINANCING

News / Airlines, Finance

Air Canada announced that it has priced a private offering of senior secured notes and received commitments from lenders for a new credit facility in connection with its C$1.25 billion refinancing transaction.

As part of its refinancing transaction, Air Canada entered into a purchase agreement with a syndicate of initial purchasers relating to a private offering of C$200 million aggregate principal amount of 4.75% senior secured first lien notes due 2023 (the "2016 Senior Notes"), which will be sold at par. Air Canada also received loan commitments for a U.S.$800 million term loan, maturing in 2023, together with a new, undrawn U.S.$300 million revolving credit facility expiring in 2021 (collectively with the term loan, the "2016 Credit Facility"). The 2016 Credit Facility has an initial interest rate of 275 basis points over LIBOR (subject to a LIBOR floor of 75 basis points). The 2016 Credit Facility and the offering of the 2016 Senior Notes are each expected to close on October 6, 2016, subject to customary closing conditions.

Air Canada intends to use the net proceeds from the sale of the 2016 Senior Notes, together with

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borrowings under the term loan under the 2016 Credit Facility, and approximately C$444 million of cash on hand, to pay the redemption price for all of Air Canada's outstanding senior secured notes (the "2013 Secured Notes"), and to repay Air Canada's outstanding U.S.$300 million term loan. The 2013 Secured Notes are subject to Air Canada's previously announced conditional notices of redemption. Air Canada has not called for redemption any of its 7.750% senior unsecured notes due 2021.

Subject to closing these transactions, on the basis of current interest rates and Canada-U.S. dollar exchange rates, Air Canada's outstanding indebtedness would decrease by approximately C$355 million, its weighted average cost of debt would decrease by approximately 150 basis points, to 4.49%, since the end of Q2 2013 and Air Canada would realize annualized interest expense savings of approximately C$60 million. These transactions would also represent an increase in Air Canada's undrawn revolving credit facility of U.S.$90 million, to an amount of U.S.$300 million, and result in the release of liens in respect of assets with an estimated value of approximately C$650 million, bringing the total estimated value of Air Canada's unencumbered assets to approximately C$2 billion at closing.

Other than the principal amount of the 2016 Senior Notes which are denominated in Canadian dollars, Canadian dollar figures identified in this news release are based on an exchange rate of C$1.00 equal to U.S.$0.7596. Air Canada's outstanding indebtedness, weighted average cost of debt and interest expense are dependent on a number of factors, risks and uncertainties, including fluctuations in interest rates and the Canada-U.S. dollar exchange rate, both of which have varied significantly over the last several years and may continue to fluctuate. Please see section below entitled "Caution Regarding Forward-Looking Information". The 2016 Senior Notes and Air Canada's obligations under the 2016 Credit Facility will be senior secured obligations of Air Canada, secured on a first lien basis, subject to certain permitted liens and exclusions, by certain real estate interests, ground service equipment, certain airport slots and gate leaseholds, and certain Pacific routes and the airport slots and gate leaseholds utilized in connection with these Pacific routes.

General

The 2016 Senior Notes will not be 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 2016 Senior Notes 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 2016 Senior Notes will not be qualified for sale to the public under applicable Canadian securities laws and, accordingly, any offer and sale of the 2016 Senior Notes in Canada will be made on a basis that is exempt from the prospectus requirement of such securities laws. The 2016 Senior Notes are being offered and sold on a private placement basis to accredited investors in certain provinces of Canada.

This press release shall not constitute an offer to sell the 2016 Senior Notes or the solicitation of an offer to buy the 2016 Senior Notes, nor will there be any sale of the 2016 Senior Notes in any state or jurisdiction where such offer, solicitation or sale is not permitted. The 2016 Senior Notes will be offered only through a preliminary and final offering memorandum and this press release is not intended to serve as the basis for any investment decision.

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