AIR CANADA COMPLETES C$1.25 BILLION REFINANCING

News / Airlines, Finance

Air Canada announced that it has completed its previously announced private offering of C$200 million of 4.75% senior secured first lien notes due 2023 (the “2016 Senior Notes”) and the closing of its previously announced U.S.$1.1 billion new senior secured credit facility, comprised of a U.S.$800 million term loan maturing in 2023, together with a new, undrawn U.S.$300 millionrevolving 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).

Air Canada received aggregate net proceeds of approximately C$1.23 billion from the sale of the 2016 Senior Notes and from the term loan under the 2016 Credit Facility (in each case, after deduction of the applicable transaction costs, fees and expenses). Air Canada applied the net proceeds, together with approximately C$444 million of cash on hand, to redeem all of Air Canada’s outstanding senior secured notes due 2019 and 2020, and to repay Air Canada’s

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outstanding U.S.$300 million secured term loan. In conjunction with such repayment and redemption, C$61 million in premium costs were paid, and a write off of transaction costs and discounts of $C21 million was recorded, both of which will be reported as an interest charge in 2016. Air Canada's 7.750% senior unsecured notes due 2021 were not called for redemption and remain outstanding.

"This transaction achieved several key objectives and represents a meaningful improvement to our balance sheet. Since the end of the second quarter of 2013, we have reduced the weighted average cost of our overall debt by approximately 150 basis points, to 4.49 per cent. This transaction also extends the maturities of our senior secured debt to 2023. We now have even greater flexibility to continue to execute on our strategic initiatives and create additional value for shareholders," said Calin Rovinescu, President and Chief Executive Officer.

"We expect to realize annualized interest expense savings of approximately C$60 million. We have also freed up collateral with a value of approximately C$650 million, bringing the total estimated value of Air Canada's unencumbered assets to approximately C$2 billion. We also added U.S.$90 million in capacity to our revolving credit facility, up to U.S.$300 million," concluded Mr. Rovinescu.

Other than the principal amount of the 2016 Senior Notes and amounts relating to the redemption of its Canadian dollar senior secured notes, Canadian dollar figures identified in this news release are generally 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 are 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 have not been and 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 were 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 have not been and 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 were 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

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state or jurisdiction where such offer, solicitation or sale is not permitted. The 2016 Senior Notes were 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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