

Air Canada Announces Pricing of \$1.4 Billion Refinancing Transaction

Written by Australian Business

- U.S.\$400 million of 6.75% senior secured first lien notes due 2019
- C\$300 million of 7.625% senior secured first lien notes due 2019
- U.S.\$300 million of 8.75% senior secured second lien notes due 2020
- U.S.\$400 million senior secured (first lien) credit facility, including a U.S.\$300 million term loan and a U.S. \$100 million revolving credit facility

MONTREAL, Sept. 19, 2013 /PRNewswire/ - Air Canada announced today that it has priced its previously announced private offerings of senior secured first lien notes to be denominated in Canadian dollars and senior secured second lien notes to be denominated in U.S. dollars, as well as an additional private offering of senior secured first lien notes to be denominated in U.S. dollars. Air Canada has entered into purchase agreements with a syndicate of initial purchasers relating to (i) U.S. \$400 million of 6.75% senior secured first lien notes due 2019 and C\$300 million of 7.625% senior secured first lien notes due 2019 (the "New Senior Secured Notes") and (ii) U.S. \$300 million of 8.75% senior secured second lien notes due 2020 (the "New Senior Secured Second Lien Notes" and, together with the New Senior Secured Notes, the "New Senior Notes"). The New Senior Notes will be sold at par and will provide for interest payable semi-annually. Additionally, Air Canada has received commitments from lenders to provide U.S.\$300million under a new senior secured (first lien) term loan maturing in 2019 and U.S.\$100million under a new revolving credit facility (collectively, the "New Credit Facility").

The above reflects Air Canada's decision to optimize the structure and pricing of the refinancing through the addition of U.S.\$400 million of senior secured first lien notes due 2019 and a corresponding reduction in the amount of the term loan under the New Credit Facility.

Each of the offerings of New Senior Notes as well as the New Credit Facility is expected to close on September 26, 2013, subject to customary closing conditions, the acceptance for payment of the Existing Notes tendered in the Tender Offers (each as defined below) and

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release of the collateral securing the Existing Notes.

Air Canada intends to use a portion of the net proceeds from the sale of the New Senior Notes, together with borrowings under the term loan under the New Credit Facility, to purchase all of Air Canada's outstanding U.S. \$600 million aggregate principal amount of 9.250% Senior Secured Notes due 2015, its outstanding C\$300 million aggregate principal amount of 10.125% Senior Secured Notes due 2015 and its outstanding U.S. \$200 million aggregate principal amount of 12.000% Senior Second Lien Notes due 2016 (collectively, the "Existing Notes") that are validly tendered in connection with the previously announced separate cash tender offers and consent solicitations commenced by Air Canada on September 5, 2013 (the "Tender Offers") and to redeem or purchase any Existing Notes not purchased in the Tender Offers. Air Canada intends to use the remaining proceeds for working capital and general corporate purposes.

The New Senior Notes and Air Canada's obligations under the New Credit Facility will be senior secured obligations of Air Canada, to be guaranteed on a senior secured basis by one or more of Air Canada's subsidiaries, and secured (on a first lien basis with respect to the New Senior Secured Notes and Air Canada's obligations under the New Credit Facility, and on a second lien basis with respect to the New Senior Secured Second Lien Notes), subject to certain permitted liens and exclusions, by certain accounts receivable, certain real estate interests, certain spare engines, 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.

The New Senior Notes are being offered and sold on a private placement basis to accredited investors in certain provinces of Canada. The New Senior Notes are being offered and sold in the United States only to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and to certain non-U.S. persons in transactions outside the United States in reliance on Regulation S under the Securities Act. The New 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 New Senior Notes in Canada

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will be made on a basis that is exempt from the prospectus requirement of such securities laws. The New Senior Notes have not been and will not be registered under 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.

This press release shall not constitute an offer to sell the New Senior Notes or the solicitation of an offer to buy the New Senior Notes, nor shall there be any sale of the New Senior Notes in any state or jurisdiction where such offer, solicitation or sale is not permitted. The New Senior Notes are being 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.

Caution Regarding Forward-Looking Statements

Air Canada's public communications may include forward-looking statements within the meaning of applicable securities laws. Forward-looking statements, by their nature, are based on assumptions 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 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 Air Canada's public disclosure file available at www.sedar.com. In particular, the closing of each proposed offering of New Senior Notes is subject to the receipt by Air Canada of aggregate proceeds from borrowings under the term loan under the New Credit Facility and from the issuance of the New Senior Notes of not less than U.S.

\$1.2 billion

, and each of the proposed offerings of New Senior Notes as well as the proposed New Credit Facility are subject to general market and other conditions and there are no assurances that any of the proposed offerings of New Senior Notes or the proposed New Credit Facility will be completed or that the terms of the proposed offerings of New Senior Notes or the proposed New Credit Facility will not be modified. Any forward-looking statements contained in this news release represent Air Canada's expectations as of the date of this news release and are subject to change after such date. However, Air Canada disclaims any intention or obligation to

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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.

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