AIR CANADA

News Release

Air Canada Reports First Quarter 2021 Results

MONTREAL, May 7, 2021 – Air Canada today reported first quarter 2021 financial results:

- Operating revenues of $729 million, a decline of $2.993 billion or 80 per cent from the first quarter of 2020.
- Negative EBITDA (1) (earnings before interest, taxes, depreciation and amortization), excluding special items, of $763 million compared to EBITDA of $71 million in the same quarter of 2020.
- Operating loss of $1.049 billion compared to an operating loss of $433 million in the first quarter of 2020.
- Net cash burn of $1.274 billion, or approximately $14 million per day, on average.
- Unrestricted liquidity amounted to $6.582 billion at March 31, 2021.

"The persistence of COVID-19 and its resurgence in Canada are weighing heavily on the Canadian airline industry, as reflected in Air Canada's first quarter results. Still, through the hard work and dedication of our employees, we are operating a limited schedule for necessary travel and to ship essential cargo. I thank our employees for their professionalism and assure them, as well as our investors and all stakeholders, that better times lie ahead for our airline," said Michael Rousseau, President and Chief Executive Officer of Air Canada.

"During the quarter, Air Canada's cash burn rate progressively improved, albeit moderately given the ongoing impact of the pandemic on advance ticket sales. Air Canada had almost $6.6 billion in liquidity at the quarter's end and we subsequently finalized a financial package with the Government of Canada (primarily comprised of repayable loans) to provide access of up to $5.9 billion more in liquidity. Beyond serving as a layer of insurance, this makes available, if required, the resources necessary to rebuild and compete in the post-pandemic world.

"We continue to pursue other revenue opportunities. Air Canada Cargo has now completed more than 7,500 all-cargo flights since March of last year. We are building our transformed Aeroplan program, establishing a well-received partnership with Starbucks in Canada. We also maintained our focus on customers and employees, becoming the first carrier in Canada to be awarded APEX's Diamond Status for our COVID-19 Air Canada CleanCare+ biosafety program and we were named one of Montreal's Top Employers for the eighth time and one of Canada's Best Diversity Employers for the sixth consecutive year. Continuing on our commitment to sustainability, we now aim to achieve net-zero emissions by 2050. To reach this, we have set absolute midterm GHG net reduction targets by 2030 in our air and ground operations compared to our 2019 baseline, and have committed to investing $50 Million in Sustainable Aviation Fuel, and carbon reductions and removals," said Mr. Rousseau.

"With these and other measures, Air Canada is poised to emerge strongly from the pandemic. It is now essential that governments communicate and implement a reopening plan for our country; recognizing that a healthy aviation sector is vital to Canada's economic recovery. Starting with replacing blanket restrictions with science-based testing and limited quarantine measures where appropriate, Canada can reopen and safely ease travel restrictions as vaccination programs roll out. We have seen elsewhere, notably in the U.S., that travel rebounds sharply as COVID-19 recedes and restrictions are lifted, and we fully expect this can be replicated in Canada," concluded Mr. Rousseau.

In 2020, Air Canada implemented a COVID-19 Mitigation and Recovery Plan in response to the negative impacts of the COVID-19 pandemic on its earnings and cash from operations. The measures taken in 2020 are described in the "Strategy and COVID-19 Mitigation and Recovery Plan" section of Air Canada's 2020 MD&A. In 2021, to date, Air Canada has taken the following additional measures:

Customer Service and Safety

Since March 2020, Air Canada has refunded more than $1.2 billion to customers holding refundable tickets. In April 2021, Air Canada started offering eligible customers who purchased non-refundable tickets for travel on or after February 1, 2020 but did not fly, the option to obtain a refund to the original form of payment. Such customer refunds will be neutral to Air Canada's liquidity position and will improve its net working capital with proceeds drawn under the refunds credit facility from the Government of Canada. Additional details on the refunds credit facility are provided in the "Recent Developments" section of Air Canada's First Quarter 2021 MD&A.

In January 2021, Air Canada received the Diamond Certification from the Airline Passenger Experience Association (APEX) Health Safety powered by SimpliFlying. The Diamond Certification recognized the airline for achieving hospital-grade levels of biosecurity across multiple passenger touchpoints. The certification program aims to create a global standard for health and safety measures focused on airline customers.

In March 2021, Air Canada announced several updates for Aeroplan Elite Status members, ensuring their status remains in effect, to give them flexibility and certainty. The changes include the extension of current Elite Status until the end of 2022, in addition to a previous extension through 2021, as well as the possibility to accelerate their status qualification, which will also help contribute to status qualification for 2022 and beyond.

In March 2021, Aeroplan announced its partnership with Starbucks which allows Aeroplan members to earn Aeroplan points at participating Starbucks locations across Canada. In 2021, Aeroplan intends to introduce additional program features, while expanding its partnership network in various categories, to further grow and engage its membership base.

Capacity and Route Network

In the first quarter of 2021, as a result of the continued impact of the COVID-19 pandemic, Air Canada reduced its ASM capacity by 82 per cent compared to the first quarter of 2020 (or a reduction of 84 per cent when compared to the first quarter of 2019). Air Canada plans to approximately double its second quarter 2021 ASM capacity from the same quarter in 2020. When compared to the same period in 2019, second quarter 2021 ASM capacity is expected to decrease 84 per cent.

On March 1, 2021, Air Canada consolidated its regional flying with Jazz Aviation LP (Jazz). Through the amended CPA, which is effective on a retroactive basis to January 1, 2021, Jazz has become the sole operator of flights under the Air Canada Express banner. As further explained in the news release dated March 1, 2021, Air Canada transferred the operations of its Embraer 175 aircraft to Jazz and expects to realize $400 million in cost reductions over the term of the 15-year amended capacity purchase agreement.

Since March 2020, Air Canada has operated more than 7,500 all-cargo flights using its wide-body passenger aircraft as well as certain temporarily modified Boeing 777 and Airbus A330 aircraft, which have additional available cargo space due to the removal of seats from the passenger cabin. In the first quarter of 2021, a total of 2,362 all-cargo flights were operated.

Financing and Liquidity

Since the start of 2021, Air Canada concluded the following transactions:

- On April 12, 2021, Air Canada entered into a series of debt and equity financing agreements with the Government of Canada (acting through its subsidiary, Canada Enterprise Emergency Funding Corporation) which allows Air Canada to access up to $5.879 billion in liquidity through the Large Employer Emergency Financing Facility (LEEFF) program. The financial package provides for fully repayable loans that Air Canada would draw down if and as required. The package also includes an equity investment for gross proceeds of $500 million for Air Canada shares at a price of $23.1793 per share, as well as an aggregate of 14,576,564 warrants exercisable for the purchase of an equal number of Air Canada shares, subject to customary adjustments, at a price of $27.2698 per share during a 10-year term; 50 per cent of the warrants vested concurrently with the implementation of the credit facilities and the remaining 50 per cent of the warrants will vest on a proportional basis to the amounts that Air Canada may draw under the unsecured credit facilities (excluding the refunds credit facility). Additional details on the agreements are provided in the “Recent Developments” section of Air Canada’s First Quarter 2021 MD&A.

- In March 2021, Air Canada concluded a committed secured facility totaling US$475 million to finance the purchase of the next 15 Airbus A220 aircraft scheduled for delivery in 2021 and 2022.

- In connection with Air Canada’s December 2020 share offering, in January 2021, the underwriters partially exercised their over-allotment option to purchase an additional 2,587,000 Air Canada shares for net proceeds of $60 million.

- In the first quarter of 2021, Air Canada extended its US$600 million and $200 million revolving credit facilities by one year, to April 2024 and to December 2023, respectively.

As part of Air Canada’s ongoing efforts to maintain adequate liquidity levels, additional financing arrangements continue to be assessed and may be pursued.

First Quarter Summary

Air Canada recorded a net loss of $1.304 billion or $3.90 per diluted share in the first quarter of 2021 compared to a net loss of $1.049 billion or $4.00 per diluted share in the first quarter of 2020.

In the first quarter of 2021, on a capacity reduction of 82 per cent, operating expenses of $1.778 billion decreased $2.377 billion or 57 per cent from the same quarter in 2020.

In the first quarter of 2021, net cash flows used in operating activities of $888 million deteriorated by $868 million from the same quarter in 2020 on lower operating results, reflecting the continued impacts of the COVID-19 pandemic and related travel restrictions.

In the first quarter of 2021, net cash burn of $1.274 billion, or approximately $14 million per day, on average, was lower than management's expectations of between $15 to $17 million per day, on average, discussed in Air Canada's February 12, 2021 news release. Air Canada's net cash burn in the first quarter of 2021 included $2 million per day in net capital expenditures and $4 million per day in lease and debt service costs. The lower net cash burn versus what was previously anticipated was attributable to a combination of higher than anticipated operating earnings, favourable timing on working capital, and deferred settlement of aircraft lease returns.

Outlook

As indicated above, Air Canada plans to approximately double its second quarter 2021 ASM capacity from the same quarter in 2020. In the second quarter of 2021, when compared to the same period in 2019, ASM capacity is expected to decrease 84 per cent. The airline will continue to dynamically adjust capacity and take other measures as required to account for health warnings, travel restrictions, border closures globally and passenger demand.

Air Canada projects a net cash burn of between $1.180 billion and $1.370 billion (or between $13 million and $15 million per day, on average) in the second quarter of 2021. This net cash burn projection includes $2 million per day in capital expenditures, net of financing, and $5 million per day in lease and debt service costs. When compared to the first quarter of 2021, the second quarter of 2021 includes approximately $1 million per day in higher scheduled debt principal repayments, an increase in end-of-lease payments due to more aircraft being returned to lessors and reflects the continuing impact of the pandemic on travel demand. The net cash burn projection excludes the amount of expected eligible refunds of non-refundable fares being processed pursuant to the change in refund policy announced on April 12, 2021 for flights impacted by the COVID-19 pandemic. Such refunds will be eligible for draws under the Government of Canada $1.404 billion refunds credit facility. As such, these refunds will generally be cash neutral to Air Canada's liquidity position, up to the $1.404 billion limit of the facility. Air Canada estimates that the maximum exposure to cash refunds for all eligible customers holding non-refundable tickets is approximately $2 billion. It is difficult to predict the number of customers who will request a cash refund for non-refundable tickets but based on past experience and current observations since the change in refund policy on April 12, 2021, Air Canada expects cash refunds relating to the change in policy on April 12, 2021 to be substantially less than $2 billion as certain customers will choose to retain their travel voucher.

[1] Non-GAAP Measures

Below is a description of certain non-GAAP financial measures used by Air Canada to provide readers with additional information on its financial and operating performance. Such measures are not recognized measures for financial statement presentation under GAAP, do not have standardized meanings, may not be comparable to similar measures presented by other entities and should not be considered a substitute for, or superior to, GAAP results. Readers are advised to review the section entitled Non-GAAP Financial Measures in Air Canada's First Quarter 2021 MD&A

for a further discussion of such non-GAAP measures and a reconciliation of such measures to Canadian GAAP.

EBITDA (earnings before interest, taxes, depreciation and amortization) is commonly used in the airline industry and is used by Air Canada as a means to view operating results before interest, taxes, depreciation and amortization as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets. Air Canada excludes special items from EBITDA as these items may distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful. Refer to the Non-GAAP Financial Measures section in Air Canada's First Quarter 2021 MD&A for a discussion of special items relating to the first quarter of 2021.

Net cash burn is commonly used in the airline industry and is used by Air Canada as a measure of cash used to maintain operations, support capital expenditures, and settle normal debt repayments, all before the net impact of new financing proceeds. Net cash burn is defined as net cash flows from operating, financing for aircraft deliveries, and investing activities. Excluded are proceeds from non-aircraft financings, lump sum debt maturities made where Air Canada has refinanced or replaced the amount, and proceeds from sale and leaseback transactions. Net cash burn also excludes movements between cash and short and long-term investments.

Air Canada's First Quarter 2021 Consolidated Financial Statements and Notes and its First Quarter 2021 Management's Discussion and Analysis of Results of Operations and Financial Condition are available on Air Canada's website at **aircanada.com** and will be filed on SEDAR at **www.sedar.com**.

For further information on Air Canada's public disclosure file, including Air Canada's Annual Information Form dated March 11, 2021, consult SEDAR at **www.sedar.com**.

First Quarter Analyst Conference Call

Air Canada will host its quarterly analysts' call today, Friday, May 7, 2021 at 08:30 a.m. EDT. Michael Rousseau, President and Chief Executive Officer, Amos Kazzaz, Executive Vice President and Chief Financial Officer, and Lucie Guillemette, Executive Vice President and Chief Commercial Officer, will be available for analysts' questions. Immediately following the analysts' Q&A session, Mr. Kazzaz and Pierre Houle, Vice President and Treasurer, will be available to answer questions from term loan B lenders and holders of Air Canada bonds.

Media and the public may access this call on a listen-in basis. Details are as follows:

Dial in: 416-406-0743 or 1-800-898-3989 (toll free)

Passcode: 4737147#

Please allow 10 minutes to be connected to the conference call.

Live audio webcast: **https://bell.media-server.com/mmc/p/25y2ptej**

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.*

Forward-looking statements, by their nature, are based on assumptions including those described in this news release and the documents incorporated by reference herein and are subject to important risks and uncertainties. Notably, Air Canada's expectations with respect to net cash burn are subject to a number of assumptions, including current assumptions regarding its ability to implement its cost reduction programs, rates of ticket refunds, and other changes impacting working capital, including the level of advance ticket sales. 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 those discussed below.

Air Canada, along with the global airline industry, continues to face a severe drop in traffic and a corresponding decline in revenue and cash flows as a result of the COVID-19 pandemic and the travel restrictions imposed in many countries around the world, and particularly in Canada. The impacts of the COVID-19 pandemic began to be felt in traffic and sales figures commencing in early March 2020. These impacts include drastic declines in earnings and cash flow from operations. There is very limited visibility on travel demand given changing government restrictions in place around the world and the severity of the restrictions in Canada; these restrictions and concerns about travel due to the COVID-19 pandemic as well as passenger concerns and expectations about the need for certain precautions, such as physical distancing, are severely inhibiting demand. The COVID-19 pandemic is also having significant economic impacts, including on business and consumer spending, which may in turn significantly impact demand for travel. Air Canada cannot predict the full impact or the timing for when conditions may improve. Air Canada is actively monitoring the situation and will respond as the impact of the COVID-19 pandemic evolves, which will depend on a number of factors including the course of the virus, availability of rapid, effective testing, vaccinations and treatments for the virus, government actions, and passenger reaction, as well as timing of a recovery in international and business travel which are important segments of Air Canada's markets, none of which can be predicted with any degree of certainty.

Other factors that may cause results to differ materially from results indicated in forward-looking statements include economic and geopolitical conditions, 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, energy prices, Air Canada's dependence on technology, cybersecurity risks, Air Canada's ability to successfully implement appropriate strategic and other important initiatives (including Air Canada's ability to reduce operating costs), other epidemic diseases, terrorist acts, war, Air Canada's dependence on key suppliers, casualty losses, changes in laws, regulatory developments or proceedings, Air Canada's ability to successfully operate its new loyalty program, climate change and environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), interruptions of service, 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, limitations due to restrictive covenants, pending and future litigation and actions by third parties, currency exchange, risks generally relating to the grounding of aircraft fleet types, pension plans, Air Canada's ability to attract and retain required personnel, insurance issues and costs, 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 17 "Risk Factors" in Air Canada's 2020 MD&A and in section 14 "Risk Factors" of Air Canada's First Quarter 2021 MD&A. The forward-looking statements contained or incorporated by reference 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.*

INFORMATION

Investor Relations	:	(514) 422-7353
Internet	:	aircanada.com

AIR CANADA

Highlights

The financial and operating highlights for Air Canada for the periods indicated are as follows:

(Canadian dollars in millions, except per share data or where indicated)	First Quarter		
Financial Performance Metrics	**2021**	**2020**	**$ Change**
Operating revenues	729	3,722	(2,993)
Operating loss	(1,049)	(433)	(616)
Loss before income taxes	(1,387)	(1,276)	(111)
Net loss	(1,304)	(1,049)	(255)
Adjusted pre-tax loss (1)	(1,335)	(520)	(815)
EBITDA (excluding special items) (1)	(763)	71	(834)
Unrestricted liquidity (2)	6,582	6,523	59
Diluted loss per share	$(3.90)	$(4.00)	$0.10
Operating Statistics (3)	**2021**	**2020**	**% Change**
Revenue passenger miles (“RPMs”) (millions)	1,831	17,507	(89.5)
Available seat miles (“ASMs”) (millions)	4,211	23,511	(82.1)
Passenger load factor %	43.5%	74.5%	(31 pp)(6)
Passenger revenue per RPM ("Yield") (cents)	21.6	18.2	18.2
Passenger revenue per ASM ("PRASM") (cents)	9.4	13.6	(31.0)
Operating revenue per ASM (cents)	17.3	15.8	9.4
Operating expense per ASM ("CASM") (cents)	42.2	17.7	NM(7)
Adjusted CASM (cents) (1)	40.4	13.1	NM
Average number of full-time-equivalent (“FTE”) employees (thousands) (4)	16.1	33.0	(51.0)
Fuel cost per litre (cents)	62.7	69.2	(9.3)
Fuel litres (thousands)	318,358	1,208,119	(73.6)
Revenue passengers carried (thousands) (5)	1,124	9,927	(88.7)

(1) Adjusted pre-tax income (loss), EBITDA (excluding special items) (earnings before interest, taxes, depreciation, and amortization), and adjusted CASM are each non-GAAP financial measures. Refer to section 15 “Non-GAAP Financial Measures” of Air Canada’s First Quarter 2021 MD&A for descriptions of Air Canada’s non-GAAP financial measures.

(2) Unrestricted liquidity refers to the sum of cash, cash equivalents and short and long-term investments, and the amount of available credit under Air Canada’s revolving credit facilities. At March 31, 2021, unrestricted liquidity comprised cash, cash equivalents and short-term investments of $5,969 million, and long-term investments of $613 million. At March 31, 2020, unrestricted liquidity consisted of cash, cash equivalents and short-term investments of $6,128 million, and long-term investments of $395 million.

(3) Except for the reference to average number of FTE employees, operating statistics in this table include third party carriers operating under capacity purchase agreements with Air Canada.

(4) Reflects FTE employees at Air Canada and its subsidiaries. Excludes FTE employees at third party carriers operating under capacity purchase agreements with Air Canada.

(5) Revenue passengers are counted on a flight number basis (rather than by journey/itinerary or by leg) which is consistent with the IATA definition of revenue passengers carried.

(6) “pp” denotes percentage points and refers to a measure of the arithmetic difference between two percentages.

(7) “NM” denotes “Not Meaningful” and is included in the table above where a comparison to prior periods would not be meaningful.