

News Release

Air Canada Reports Fourth Quarter and Full Year 2021 Financial Results

MONTREAL, February 18, 2022 – Air Canada today reported its fourth quarter and full year 2021 financial results.

- Fourth quarter 2021 operating revenues of \$2.731 billion, 30 per cent higher than in the third quarter of 2021, and over three times fourth quarter 2020 operating revenues
- Fourth quarter 2021 operating loss of \$503 million compared to an operating loss of \$1.003 billion in the fourth quarter of 2020
- Fourth quarter 2021 EBITDA⁽¹⁾ (earnings before interest, taxes, depreciation, and amortization), excluding special items, of \$22 million compared to negative EBITDA (excluding special items) of \$728 million in the same quarter of 2020
- Full year 2021 operating revenues of \$6.400 billion compared to 2020 operating revenues of \$5.833 billion
- Record cargo revenues in 2021 of \$1.495 billion compared to 2020 cargo revenues of \$920 million
- Full year 2021 operating loss of \$3.049 billion compared to an operating loss of \$3.776 billion in 2020
- Full year 2021 negative EBITDA (excluding special items) of \$1.464 billion compared to negative EBITDA (excluding special items) of \$2.043 billion in 2020
- Unrestricted liquidity of \$10.4 billion at December 31, 2021, practically unchanged from September 30, 2021, excluding funds that were available at September 30, 2021 under the financial package with the Government of Canada

“The unpredictable course of COVID-19 made 2021 extremely challenging for Air Canada and the global airline industry. But the sequential and year-over-year improvement in Air Canada’s fourth quarter results shows the underlying recovery remains intact despite the Omicron variant. Our progress rebuilding our airline is due to the hard work, resourcefulness, and commitment of our people. I warmly thank our employees for their dedication and professionalism, which have been unwavering through nearly two years of a global pandemic. I also thank our customers, including shippers, for their steadfast loyalty in continuing to choose Air Canada. As restrictions lift and more people return to flying with us, they will discover measures introduced for COVID safety have been adapted to smooth their journey. As we look at our renewed commitment to customer service excellence, we have more exciting initiatives to come,” said Michael Rousseau, President and Chief Executive Officer of Air Canada.



“Our quarterly EBITDA exceeded our expectations and turned positive for the first time in seven quarters, cash flow from operations remained positive and accelerated from the third quarter, and we ended the year with \$10.4 billion in unrestricted liquidity, an increase of \$2.3 billion, or about 29 per cent from the start of the year. We grew our capacity 26 per cent from the previous quarter, while continuing to successfully manage load factor and yields in the right direction. Prior to Omicron’s onset, ticket sales reached 65 per cent of pre-pandemic levels in October and November. These are all encouraging indicators.

“Moreover, robust advance ticket sales, which grew almost \$400 million in the quarter, give us confidence that our customers will keep returning and that Omicron’s effect on our business is travel deferred, not cancelled. Our other lines of business thrived throughout the year, Air Canada Cargo’s record annual revenue of nearly \$1.5 billion exceeded \$1 billion for the first time, reaching \$490 million in the fourth quarter of 2021, our transformed Aeroplan program reported strong billings, and Air Canada Vacations bookings sharply rebounded.

“There are other unmistakable signs of revival. We have been actively restoring our network, with 118 stations served at the end of 2021 up from 70 at its start, and the average number of daily flights rising to 665 in December 2021 from 245 in January 2021. We have been advancing ESG initiatives, including those related to the environment and diversity. And, most importantly, we have recalled over 10,000 colleagues, including 3,900 in the fourth quarter, and we have also begun hiring new employees. As we move into 2022, all expectations are that the recovery in air travel will continue, albeit unevenly. Nonetheless, we believe the regeneration of our business will gain momentum. To this end, we are working cooperatively with governments as they look to adapt their policies, based on science, and taking into account the significant health and safety measures Air Canada and the airline industry have implemented, to allow Canada to capture the economic benefits of the global recovery from the COVID-19 pandemic, many of which will be derived from increased trade and travel,” said Mr. Rousseau.

Fourth Quarter and Full Year 2021 Financial Results

- In the fourth quarter of 2021, Air Canada’s operating capacity, measured as Available Seat Miles (ASMs) increased 134 per cent from fourth quarter 2020 ASMs. When compared to the fourth quarter of 2019, it represented a decline of 47 percent, which is in line with the expectations discussed in Air Canada’s third quarter 2021 earnings release dated November 2, 2021
- Fourth quarter 2021 passenger revenues of \$2.041 billion increased more than four times from the fourth quarter of 2020
- Fourth quarter 2021 total operating revenues of \$2.731 billion increased \$1.904 billion or more than three times from the fourth quarter of 2020
- Fourth quarter 2021 total operating expenses of \$3.234 billion increased \$1.404 billion or 77 per cent from the fourth quarter of 2020
- Fourth quarter 2021 net loss of \$493 million or \$1.38 per diluted share compared to a net loss of \$1.161 billion or \$3.91 per diluted share in the fourth quarter of 2020
- In 2021, Air Canada’s ASMs decreased 11 per cent from 2020. When compared to 2019, it represented a decline of 70 per cent
- 2021 passenger revenues of \$4.498 billion increased \$116 million or three per cent from 2020



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- 2021 total operating revenues of \$6.400 billion increased \$567 million or 10 per cent compared to 2020
- 2021 total operating expenses of \$9.449 billion decreased \$160 million or two per cent from 2020
- 2021 net loss of \$3.602 billion or \$10.25 per diluted share compared to a net loss of \$4.647 billion or \$16.47 per diluted share in 2020
- Unrestricted liquidity of \$10.4 billion at December 31, 2021

2021 Highlights

Since the onset of the pandemic, Air Canada has actively managed its ASM capacity to account for passenger demand, prevailing market trends, public health guidelines, travel restrictions, and other factors. In 2021, Air Canada decreased its ASM capacity by 11 per cent compared to 2020 (a reduction of about 70 per cent when compared to 2019).

Financing and Liquidity

On April 12, 2021, Air Canada entered into a series of debt and equity financing agreements with the Government of Canada (acting through Canada Enterprise Emergency Funding Corporation) which allowed Air Canada to access up to \$5.879 billion in liquidity through the Large Employer Emergency Financing Facility (LEEFF) program.

In November 2021, Air Canada withdrew from Government of Canada financial support, having only accessed the facility solely dedicated to refunding customers' non-refundable tickets. None of the \$3.975 billion available under the secured revolving and the unsecured non-revolving credit facilities was ever drawn. Air Canada had the right to terminate these facilities at any time without penalty, which it did in November 2021.

Air Canada issued to the Government of Canada 14,576,564 warrants initially exercisable during a 10-year term for the purchase of an equal number of Air Canada shares at an exercise price of \$27.2698 per share. Half of the warrants vested upon the implementation of the above secured and unsecured credit facilities, while the remaining half would have vested on a proportional basis to the amounts that Air Canada may have drawn under the now terminated unsecured credit facilities. The warrants were subject to a one-time call right in favour of Air Canada, pursuant to which Air Canada on certain conditions could repurchase for cancellation all outstanding warrants at a price per warrant equal to their fair market value. The vested warrants were exercisable by the holder either by paying the exercise price or by using a cashless exercise option. With the termination of the operating credit facilities, the unvested warrants were cancelled. In addition, Air Canada exercised its call right on the vested warrants repurchasing and cancelling the warrants in January 2022 at a price of \$82 million which is equivalent to the carrying value of the vested warrants as at December 31, 2021.

In the third quarter of 2021, Air Canada completed a series of financing transactions generating gross proceeds of about \$7.1 billion. These financing transactions provide substantial liquidity to Air Canada and extend debt maturities out until near the end of the decade.

Additional information relating to these transactions is available in Section 4 "2021 Highlights" of Air Canada's 2021 Management's Discussion and Analysis of Results of Operations and Financial Condition.



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Navigating through the COVID-19 Pandemic

On June 21, 2021, the Government of Canada announced the initial phase to ease border measures. This announcement included removing the quarantine requirement for fully vaccinated travellers allowed to enter Canada as of July 5, 2021. In the third quarter of 2021, travel restrictions were further eased, including to allow fully vaccinated foreign nationals to enter Canada for non-essential travel, and the cessation of the obligation to quarantine at a government-approved hotel for all travellers. Certain restrictions remain in place for foreign nationals who do not meet the requirements to be considered fully vaccinated, for unvaccinated children under the age of five, and unvaccinated dependent adults.

Since November 30, 2021, the Government of Canada has required all travellers to be fully vaccinated to board a flight in Canada, with very limited exceptions.

In response to the Omicron variant, the Government of Canada added post-arrival testing requirements for fully vaccinated travellers from any country other than the U.S. Since December 2021, it has required such passengers to take a COVID-19 PCR test upon arrival and to quarantine in a suitable place until the receipt of a negative arrival test result. Travellers arriving from the U.S., who have not been in any other country in the previous 14 days, continue to be subject to a random selection process for COVID-19 testing upon arrival.

On February 15, 2022, the Government of Canada announced the beginning of a phased easing of travel restrictions. As part of the announcement, commencing February 28, 2022 (i) fully vaccinated travellers arriving to Canada may be randomly selected for arrival testing, but will no longer be required to quarantine pending their test result, (ii) children under 12 years old, travelling with fully vaccinated adults, will continue to be exempt from quarantine, and without any prescribed conditions limiting their activities, (iii) travellers will have the option to present a rapid antigen (rather than a PCR) test result when arriving to Canada, (iv) the Government will reduce its travel advisory to level 2 (from level 3) meaning it will no longer recommend that Canadians avoid travel for non-essential purposes, and (v) international passenger flights will be permitted to land at all remaining Canadian airports that are designated by the Canada Border Services Agency to receive international passenger flights.

Route Network and Schedule

Between January 31, 2021 and June 26, 2021, Air Canada suspended flights to Mexican and Caribbean destinations in response to COVID-19 concerns, particularly over the spring break period. The decision, designed to achieve an orderly reduction in service and minimize customer impact, was taken in collaboration with the Government of Canada following consultations.

On June 15, 2021, Air Canada announced its 2021 domestic summer schedule serving a total of 50 Canadian destinations from coast to coast. It included three new routes, the re-establishment of select regional routes, and wide-body aircraft featuring Air Canada Signature Class and Premium Economy Class on select transcontinental routes.

On June 18, 2021, Air Canada operated its first non-stop service between Montreal and Cairo, serving the large Egyptian community established in Montreal and throughout North America, and providing an additional gateway to Africa.



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Following the Government of Canada's announcement to ease travel restrictions for citizens and permanent residents of the U.S., on July 19, 2021, Air Canada announced its U.S. transborder summer schedule which included 55 routes and 34 destinations in the U.S., with up to 220 daily flights between Canada and the U.S.

In the third quarter of 2021, Air Canada announced a series of new routes, including new winter services departing from Québec City to Orlando and Fort Lauderdale, and the resumption of services to Punta Cana and Cancun, from Québec City, between Montreal and Toronto Island. Air Canada also announced the resumption of non-stop flights to and from Delhi, following the lifting of the Government of Canada restrictions on non-stop flights from India.

In September 2021, Air Canada Rouge resumed service between Toronto and Las Vegas, Orlando, and Regina, with other destinations introduced through the end of 2021, including Cancun and Tampa.

In October 2021, Air Canada announced additional updates to its schedule, including:

- Two new seasonal routes connecting Québec City with Vancouver and with Calgary. These routes are scheduled to begin in May 2022.
- Increase in service to several key South American destinations. Year-round service to São Paulo, Brazil from Montreal resumed in December 2021. Direct service from Montreal to Bogota, Colombia started in early December 2021. Flights from Toronto to Bogota increased to four per week since November 2021. Service between Toronto and Santiago, Chile resumed in January 2022. Air Canada now serves Buenos Aires, Argentina, with flights offered from both Toronto and Montreal via São Paulo.
- New seasonal service between Toronto and Santo Domingo in the Dominican Republic, which began in December 2021.
- Planned summer 2022 schedule for Europe, Africa, the Middle East and India. In addition to its established year-round services, Air Canada announced its return to key summer seasonal destinations such as Barcelona, Venice, Nice, Manchester, Edinburgh, and Reykjavik.
- Since October 2021, expansion of services to India with increased frequency to Delhi from Toronto, and a new year-round non-stop route to Delhi from Montreal.

People and Culture

In 2021, Air Canada was recognized by Mediacorp Canada Inc. as one of Canada's Best Diversity Employers for the sixth consecutive year and one of "Montreal's Top Employers" for the eighth consecutive year. Air Canada was ranked among the 50 Most Engaged Workplaces™ for the fifth consecutive year and was recognized as being one of the 'Elite 8' companies within the 2021 Achievers 50 Most Engaged Workplaces® Awards, which celebrates the top 50 employers that make engagement, alignment, and recognition central to the employee experience.

In October 2021, Air Canada was recognized for its people, products, and services at the 2021 Skytrax World Airline Awards with honours for: Best Airline Staff in North America, Best Airline Staff in Canada, Best Business Class Lounge in North America, and Skytrax COVID-19 Airline Excellence award.



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Customer Experience

In 2021, Air Canada was named the Best Airline in North America for the third straight year by readers of Global Traveler. The airline also won for Best Airline Cabin Cleanliness for the second consecutive year in the 18th edition of the GT Tested Reader Survey of the magazine's readership of frequent business and luxury travellers. Additionally, in its annual ratings for 2022, the Airline Passenger Experience Association ("APEX") reaffirmed Air Canada as a Five-Star Global Airline in the APEX Official Airline Ratings, based on customer feedback. For the 2022 awards, nearly one million flights were evaluated by passengers across more than 600 airlines from around the world using a five-star scale.

Aeroplan

Building on the successful launch of the new Aeroplan program, in 2021, Air Canada announced several enhancements and updates to its loyalty program. These included:

- Extending Aeroplan Elite Status through the end of 2022 as well as enhancing other flexible policies.
- Launching partnerships with Starbucks, the Liquor Control Board of Ontario (LCBO), one of the world's largest retailers of alcoholic beverages, Rocky Mountaineer, and with Uber Canada.
- Launching the new Chase Aeroplan® World Elite Mastercard® Credit Card providing U.S. cardmembers with the ability to earn Aeroplan points faster. Chase is the largest co-brand card issuer in the United States.
- Adding Aeroplan as a transfer option for Ultimate Rewards® points for eligible Chase cardmembers.

Fleet

In 2021, Air Canada elected to proceed with the purchase of an additional 12 Airbus A220-300 aircraft, six being delivered in 2024 and six in 2025. These 12 aircraft are those that Air Canada had previously determined it would no longer be purchasing under an amendment to the purchase agreement concluded with Airbus in November 2020. As of December 31, 2021, Air Canada had 27 Airbus A220-300 in its operating fleet.

In October 2021, Air Canada reached an agreement with Boeing to accelerate the delivery of four Boeing 737 MAX aircraft into the fourth quarter of 2021, for a total of seven deliveries in 2021. As of December 31, 2021, Air Canada had 31 Boeing 737 MAX 8 in its operating fleet with the remaining nine Boeing 737 MAX aircraft expected to be delivered in the first half of 2022.

In 2021, Air Canada announced it exercised options for the purchase of three Boeing 787-9 aircraft which are scheduled to be delivered in 2022 and in 2023.

Cargo

In 2021, Air Canada operated a total of 10,217 cargo-only flights, compared to 4,235 cargo-only flights in 2020.



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In October 2021, Air Canada announced the start of a \$16-million project to expand and enhance Air Canada Cargo's cold chain handling capabilities for shipments such as pharmaceuticals, fresh food, and other perishables at its Toronto Pearson International Airport cargo facility. The project is part of Air Canada's strategy to further develop its cargo division, which also includes the introduction of additional freighter aircraft, the launch of dedicated freighter routes and an expansion into the e-commerce delivery service.

In December 2021, Air Canada introduced its first Boeing 767 dedicated freighter to its operating fleet. Air Canada expects, by the end of 2022, to have three more Boeing 767 freighters in service.

Commitment to Sustainability

In March 2021, Air Canada released its new Climate Action Plan that includes ambitious climate targets to achieve its long-term goal of net-zero greenhouse (“GHG”) emissions throughout its global operations by 2050. To reach this, Air Canada has set the following absolute mid-term GHG net reduction targets:

- 20% GHG net reductions from its air operations by 2030 compared to its 2019 baseline
- 30% GHG net reductions from its ground operations by 2030 compared to its 2019 baseline

Air Canada has also committed to investing, by 2030, \$50 million in sustainable aviation fuels (“SAF”), as well as in carbon reductions and removals.

In 2021, Air Canada engaged with the Edmonton International Airport (“EIA”) in a new partnership to reduce carbon emissions and advance a green and sustainable aviation sector. The EIA-Air Canada Sustainability Partnership aims to reduce the carbon impact of air travel with both organizations working together to test emerging green technologies at EIA's Airport City Sustainability Campus, an ecosystem that EIA created to foster environmental innovation. The partnership reflects both organizations' pledges to sustainability and reducing carbon emissions to a net-zero future.

In October 2021, Air Canada launched the new LEAVE LESS Travel Program, which offers its corporate customers effective options to offset or reduce GHG related to business travel and reduce their carbon footprint.

In November 2021, Air Canada and Carbon Engineering Ltd. (“CE”) announced a preliminary agreement to identify potential opportunities for CE's proprietary Direct Air Capture technology, which captures carbon dioxide from the atmosphere, to advance aviation decarbonization. The two Canadian companies plan to explore potential cooperation activities in SAF, permanent carbon dioxide removal and innovation, including opportunities for Air Canada to purchase SAF utilizing CE's technologies.

Consolidation of Air Canada Express flying with Jazz

On March 1, 2021, Air Canada announced an agreement to revise its capacity purchase agreement (“CPA”) with Jazz and consolidated all its regional flying with Jazz Aviation LP (“Jazz”). As a result of the CPA revisions and consolidation of regional flying, Air Canada expects to realize \$400 million in cost reductions over the 15-year term of the agreement expiring in 2035 (\$43 million per year until 2026 and \$18 million per year thereafter.) In addition, the revised CPA lowered future



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contractual capital expenditures and leasing costs through a restructured CPA fleet, avoiding an estimated \$193 million in future capital expenditures. The amended CPA was effective on a retroactive basis to January 1, 2021.

Termination of the Transat A.T. Inc. Arrangement Agreement

On April 2, 2021, Air Canada announced that the Arrangement Agreement for the proposed acquisition by Air Canada of Transat A.T. Inc. (“Transat”) was terminated, with Air Canada paying Transat a termination fee of \$12.5 million, and Transat no longer being under any obligation to pay Air Canada any fee should Transat be involved in another acquisition or similar transaction in the future.

Outlook

Air Canada plans to increase its first quarter 2022 ASM capacity by 243 per cent from the same quarter in 2021. When compared to the same period in 2019, first quarter ASM capacity is expected to decrease by about 44 per cent.

Air Canada will continue to adjust capacity and take other measures as required, including so as to account for passenger demand, public health guidelines, and travel restrictions globally, as well as other factors, such as inflation and other cost pressures.



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(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 refer to the tables accompanying this release for reconciliations of the non-GAAP financial measures, used in this release to the most comparable GAAP financial measures.

EBITDA

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. 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.

Adjusted pre-Tax Income (Loss)

Adjusted pre-tax income (loss) is used by Air Canada to assess the overall pre-tax financial performance of its business without the effects of foreign exchange gains or losses, net financing expense relating to employee benefits, gains or losses on financial instruments, gains or losses on sale and leaseback of assets, gains or losses on disposal of assets, gains or losses on debt settlements and modifications, and special items as these items may distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful.

Adjusted Cost per Available Seat Mile (CASM)

Adjusted CASM is used by Air Canada to assess the operating and cost performance of its ongoing airline business without the effects of aircraft fuel expense, the cost of ground packages at Air Canada Vacations, and special items as these items may distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful.

In calculating adjusted CASM, aircraft fuel expense is excluded from operating expense results as it fluctuates widely depending on many factors, including international market conditions, geopolitical events, jet fuel refining costs and Canada/U.S. currency exchange rates. Air Canada also incurs expenses related to ground packages at Air Canada Vacations which some airlines, without comparable tour operator businesses, may not incur. In addition, these costs do not generate ASMs and therefore excluding these costs from operating expense results provides for a more meaningful comparison across periods when such costs may vary.

Excluding aircraft fuel expense, the cost of ground packages at Air Canada Vacations and special items from operating expenses generally allows for a more meaningful analysis of Air Canada's operating expense performance and a more meaningful comparison to that of other airlines.

Air Canada's 2021 Consolidated Financial Statements and Notes and its 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.



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For further information on Air Canada's public disclosure file, including Air Canada's 2020 Annual Information Form dated March 11, 2021, and Air Canada's upcoming 2021 Annual Information Form, which will be filed on February 25, 2022, consult SEDAR at www.sedar.com.

Fourth Quarter and Full Year 2021 Conference Call

Air Canada will host its quarterly analysts' call today, Friday, February 18, 2022, at 8:00 a.m. ET. 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. Following the analysts' questions, 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:

Live audio webcast: <https://bell.media-server.com/mmc/p/9pudh4cy>

By telephone: 416-406-0743 or 1-800-898-3989 (toll free), passcode 9204523#.

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

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. 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 rest of the global airline industry, continued to face significantly lower traffic in 2021, as compared to the year 2019, 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, including in Canada. While there are signs of improvement, there is limited visibility on future demand trends given changing government restrictions. Air Canada cannot predict the full impact or the timing for when conditions may improve. The COVID-19 pandemic is also having and may continue to have significant economic impacts, including on business and consumer spending and behaviour, which may in turn significantly impact demand for travel. The return of business travel to pre-pandemic levels may be challenged by the evolving nature of business models and remote-work practices in light of the impacts of the COVID-19 pandemic, including the growth and continued use of videoconferencing and other remote-work technologies as well as tendencies towards less environmentally impactful business and consumer behaviour. Air Canada is actively monitoring the situation and will respond as the impact of the COVID-19



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pandemic evolves, which will depend on a number of factors including the course of the virus including its variants, availability of rapid, effective testing, vaccinations and treatments for the virus, government actions including health measures and other restrictions, and passenger reaction, the complexities of restarting an industry whose many stakeholders must act in coordination with each other as well as timing and extent of recovery in international and business travel which are important segments of Air Canada's market, none of which can be predicted with 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, Air Canada's dependence on technology, cybersecurity risks, energy prices, Air Canada's ability to successfully implement appropriate strategic and other important initiatives (including Air Canada's ability to manage operating costs), other epidemic diseases, terrorist acts, war, Air Canada's dependence on key suppliers, Air Canada's ability to successfully operate its loyalty program, interruptions of service, Air Canada's ability to attract and retain required personnel, the availability of Air Canada's workforce, casualty losses, changes in laws, regulatory developments or proceedings, climate change and environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), 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, pending and future litigation and actions by third parties, currency exchange, limitations due to restrictive covenants, insurance issues and costs, pension plans, 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 18 "Risk Factors" in Air Canada's 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.

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Selected Financial Metrics and Statistics

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)	Fourth Quarter			Full Year		
	2021	2020	\$ Change	2021	2020	\$ Change
Financial Performance Metrics						
Operating revenues	2,731	827	1,904	6,400	5,833	567
Operating loss	(503)	(1,003)	500	(3,049)	(3,776)	727
Loss before income taxes	(617)	(1,275)	658	(3,981)	(4,853)	872
Net loss	(493)	(1,161)	668	(3,602)	(4,647)	1,045
Adjusted pre-tax loss ⁽¹⁾	(574)	(1,326)	752	(3,768)	(4,425)	657
EBITDA (excluding special items) ⁽¹⁾	22	(728)	750	(1,464)	(2,043)	579
Unrestricted liquidity ⁽²⁾	10,361	8,013	2,348	10,361	8,013	2,348
Diluted loss per share	(1.38)	(3.91)	2.53	(10.25)	(16.47)	6.22
Operating Statistics ⁽³⁾	2021	2020	% Change	2021	2020	% Change
Revenue passenger miles ("RPMs") (millions)	9,612	2,432	295.2	21,045	23,239	(9.4)
Available seat miles ("ASMs") (millions)	14,057	6,000	134.3	33,384	37,703	(11.5)
Passenger load factor %	68.4%	40.5%	27.9 pp ⁽⁸⁾	63.0%	61.6%	1.4 pp
Passenger revenue per RPM ("Yield") (cents)	21.2	19.5	8.8	21.4	18.9	13.3
Passenger revenue per ASM ("PRASM") (cents)	14.5	7.9	83.6	13.5	11.6	15.9
Operating revenue per ASM (cents)	19.4	13.8	40.9	19.2	15.5	23.9
Operating expense per ASM ("CASM") (cents)	23.0	30.5	(24.6)	28.3	25.5	11.1
Adjusted CASM (cents) ⁽¹⁾	16.7	29.8	(43.9)	23.3	21.6	7.8
Average number of full-time-equivalent ("FTE") employees (thousands) ⁽⁴⁾	25.2	17.9	40.8	19.8	21.1	(6.4)
Aircraft in operating fleet at period-end ⁽⁵⁾	337	344	(2.0)	337	344	(2.0)
Seats dispatched (thousands)	8,772	3,673	138.8	21,105	22,780	(7.4)
Aircraft frequencies (thousands)	71.5	31.1	130.5	175.3	191.5	(8.4)
Average stage length (miles) ⁽⁶⁾	1,602	1,634	(1.9)	1,582	1,655	(4.4)
Fuel cost per litre (cents)	83.9	50.4	66.6	74.7	61.4	21.7
Fuel litres (thousands)	791,581	372,204	112.7	2,108,144	2,153,764	(2.1)
Revenue passengers carried (thousands) ⁽⁷⁾	5,836	1,625	259.2	13,192	13,760	(4.1)

(1) Adjusted pre-tax income (loss) and EBITDA (excluding special items) (earnings before interest, taxes, depreciation, and amortization) are non-GAAP financial measures, and adjusted CASM is a non-GAAP financial ratio. Readers are advised to refer to the Non-GAAP Measures section of this news release for descriptions of the non-GAAP measures and to the tables accompanying this release for reconciliations of the non-GAAP financial measures, used in this release to the most comparable 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 credit facilities. At December 31, 2021, unrestricted liquidity amounted to \$10,361 million consisted of \$9,403 million in cash and cash equivalents, short-term and long-term investments, and \$958 million available under undrawn credit facilities. At December 31, 2020, unrestricted liquidity of \$8,013 million consisted of cash, cash equivalents and short-term investments of \$7,501 million, and long-term investments of \$512 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.



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- (5) *The number of aircraft in Air Canada's operating fleet at December 31, 2021 and at December 31, 2020 include several aircraft that were grounded due to the impact of the COVID-19 pandemic.*
- (6) *Average stage length is calculated by dividing the total number of available seat miles by the total number of seats dispatched.*
- (7) *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.*
- (8) *"pp" denotes percentage points and refers to a measure of the arithmetic difference between two percentages.*



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Non-GAAP Reconciliation

EBITDA

EBITDA is reconciled to GAAP operating income (loss) as follows:

(Canadian dollars in millions)	Fourth Quarter			Full Year		
	2021	2020	\$ Change	2021	2020	\$ Change
Operating loss – GAAP	\$ (503)	\$ (1,003)	\$ 500	\$ (3,049)	\$ (3,776)	\$ 727
Add back:						
Depreciation and amortization	399	435	(36)	1,616	1,849	(233)
EBITDA (including special items)	\$ (104)	\$ (568)	\$ 464	\$ (1,433)	\$ (1,927)	\$ 494
Remove:						
Special items	126	(160)	286	(31)	(116)	85
EBITDA (excluding special items)	\$ 22	\$ (728)	\$ 750	\$ (1,464)	\$ (2,043)	\$ 579

Adjusted Pre-tax Income (Loss)

Adjusted pre-tax income (loss) is reconciled to GAAP income (loss) before income taxes as follows:

(Canadian dollars in millions)	Fourth Quarter			Full Year		
	2021	2020	\$ Change	2021	2020	\$ Change
Loss before income taxes – GAAP	\$ (617)	\$ (1,275)	\$ 658	\$ (3,981)	\$ (4,853)	\$ 872
Adjusted for:						
Special items	126	(160)	286	(31)	(116)	85
Foreign exchange (gain) loss	(22)	(88)	66	52	293	(241)
Net financing expense relating to employee benefits	(2)	1	(3)	8	27	(19)
(Gain) loss on financial instruments recorded at fair value	(59)	214	(273)	55	242	(187)
Loss on debt settlements and modifications	-	-	-	129	-	129
Gain on sale and leaseback of assets	-	(18)	18	-	(18)	18
Adjusted pre-tax loss	\$ (574)	\$ (1,326)	\$ 752	\$ (3,768)	\$ (4,425)	\$ 657



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Adjusted CASM

Adjusted CASM is reconciled to GAAP operating expense as follows:

(Canadian dollars in millions)	Fourth Quarter			Full Year		
	2021	2020	\$ Change	2021	2020	\$ Change
Operating expense – GAAP	\$ 3,234	\$ 1,830	\$ 1,404	\$ 9,449	\$ 9,609	\$ (160)
Adjusted for:						
Aircraft fuel	(665)	(187)	(478)	(1,576)	(1,322)	(254)
Ground package costs	(91)	(14)	(77)	(120)	(250)	130
Special items	(126)	160	(286)	31	116	(85)
Operating expense, adjusted for the above-noted items	\$ 2,352	\$ 1,789	\$ 563	\$ 7,784	\$ 8,153	\$ (369)
ASMs (millions)	14,057	6,000	134.3%	33,384	37,703	(11.5)%
Adjusted CASM (cents)	¢ 16.74	¢ 29.82	¢ (13.08)	¢ 23.32	¢ 21.62	¢ 1.70



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