

News Release

Air Canada Reports 2020 Annual Results

- **Unrestricted liquidity of \$8 billion at December 31, 2020**
- **Total revenues declined 70 per cent due to COVID-19 and travel restrictions**

MONTREAL, February 12, 2021 – Total revenues of \$5.833 billion in 2020 declined \$13.298 billion or 70 per cent from 2019. The airline reported 2020 negative EBITDA⁽¹⁾ (excluding special items) or (earnings before interest, taxes, depreciation and amortization) of \$2.043 billion compared to 2019 EBITDA of \$3.636 billion. Air Canada reported an operating loss of \$3.776 billion in 2020 compared to operating income of \$1.650 billion in 2019. Unrestricted liquidity amounted to \$8.013 billion at December 31, 2020.

“With today’s release of 2020 fourth quarter and full year results, we close the book on the bleakest year in the history of commercial aviation, after having reported several years of record results and record growth at Air Canada. The catastrophic impact of COVID-19 and government-imposed travel restrictions and quarantines has been felt across our entire network, deeply affecting all of our stakeholders. It has resulted in a 73 per cent decline in passengers carried at Air Canada during the year and an operating loss of nearly \$3.8 billion. Yet, despite a year-long onslaught of bad news, uncertainty and challenges posed by constantly changing requirements, our employees valiantly served our remaining customers professionally and transported them safely to their destinations, operated hundreds of repatriation flights and our Cargo team transported essential Personal Protective Equipment to Canada and around the world. I commend them for their courage as well as for their tireless efforts in these exceptionally trying circumstances to position our company well for when we emerge from the pandemic,” said Calin Rovinescu, President and Chief Executive Officer of Air Canada.

“As we move into 2021, while uncertainty remains as a result of the new variants of the virus and changing travel restrictions, the promise of new testing capabilities and vaccines is encouraging and presents some light at the end of the tunnel. As our success raising significant liquidity throughout 2020 indicates, investors and financial markets share our optimistic long-term outlook for our airline. I am also very encouraged by the constructive nature of discussions that we have had with the Government of Canada on sector-specific financial support over the last several weeks. While there is no assurance at this stage that we will arrive at a definitive agreement on sector support, I am more optimistic on this front for the first time.

“Given these circumstances, we have made many painful decisions over the past year. These include reducing staff by more than 20,000, dismantling a global network ten years in the making, suspending service to many communities and aggressively cutting fixed costs. At the same time, we have bolstered our liquidity position through several debt and equity financings to allow for additional operational flexibility and to support the implementation of our COVID-19 Mitigation and



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Recovery Plan. We rationalized our fleet, accelerating the permanent removal of older, less efficient aircraft, and restructured new aircraft orders so that we will have a more fuel-efficient and greener fleet that is right-sized for the post-COVID-19 recovery period. In addition, we completed essential customer-oriented initiatives, such as rolling out our new reservation system and delivering on a much-improved Aeroplan loyalty program that will be amongst the industry leaders. Our Cargo team delivered stellar results in 2020 and showed that we can build a strong, dedicated cargo fleet going forward,” said Mr. Rovinescu.

“As we announced last Fall, I will be retiring as President and Chief Executive Officer effective February 15th and Michael Rousseau, our Deputy Chief Executive and Chief Financial Officer, who has worked very closely with me for the last 12 years, will assume the role. I have absolute confidence in Mike and the entire leadership team - and know that as a result of our strong culture and discipline, Air Canada has the strength, agility, and resources to overcome the current crisis and to keep adapting to remain a global leader in the post-pandemic world. I am extremely grateful to our customers for their trust and confidence, our employees and partners for their unwavering dedication and loyalty to our airline, and to our Board of Directors for their full support throughout my tenure,” concluded Mr. Rovinescu.

Air Canada has implemented or will be implementing the following measures as part of its COVID-19 Mitigation and Recovery Plan:

Customer Service and Safety

Air Canada makes safety its first consideration in all that it does and has been continually updating its health and safety policies and procedures for travellers and employees in airports, onboard aircraft and in other workplaces to account for new information about COVID-19 as it becomes available. This includes a requirement for customers and crew to wear a protective face covering, as well as enhanced protective personal equipment for airport agents and crews, the reinforcement of safe practices such as frequent handwashing and collaborating with the Canadian federal government to screen passengers to help determine fitness for flying.

- To underscore its commitment to customer and employee safety, Air Canada introduced Air Canada CleanCare+. This program is designed to reduce the risk of exposure to COVID-19 through such measures as enhanced aircraft grooming, mandatory preflight customer temperature checks and facial coverings, in addition to required health questionnaires and providing all customers with care kits for hand cleaning and hygiene. 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.
- Air Canada has introduced numerous touchless processes throughout the customer journey, including: TouchFree Bag Check for flights departing from Canadian airports, the ability to order food directly in Maple Leaf Lounges from smartphones and tablets, touchless self-entry to the Air Canada Café for when it reopens, and provisioning of all newspapers and magazines in digital format via PressReader.



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- Air Canada has undertaken several medical collaborations to continue advancing biosafety across its business, including with Cleveland Clinic Canada in Toronto, a renowned global healthcare leader, to provide additional science-based evidence in our ongoing COVID-19 response; with Ottawa-based Spartan Bioscience to explore rapid COVID-19 testing in an aviation environment; and, since early 2019, with Toronto-based BlueDot, a company that monitors infectious diseases globally in real time to provide accurate, relevant information to make business and safety decisions quickly.
- Air Canada partnered with McMaster HealthLabs and the Greater Toronto Airports Authority in a study of international travellers arriving at Toronto Pearson International Airport. Preliminary results have indicated that testing can provide an effective, responsible alternative to facilitate the safe relaxation of quarantines. Final results are currently being analyzed and are expected to be published by McMaster HealthLabs and the University of Toronto during the first quarter of 2021.
- Air Canada is finalizing an initial order of Abbott's ID NOW COVID-19 rapid response tests as part of its ongoing evaluation of COVID-19 testing technology and protocols, one of the first private sector companies to do so.
- Air Canada recently conducted a trial with the application of COVID-19 contact tracing technology in its workplace using the Bluetooth enabled TraceSCAN app and wearable technology developed by Canadian-based Facedrive Inc. Following an initial pilot, the use of this technology is being further expanded on a trial basis in other Air Canada workplaces.
- Air Canada is collaborating with Shoppers Drug Mart to provide Air Canada customers with the opportunity to take a pre-departure COVID-19 PCR test to support compliance with international travel requirements. The test is now available to travellers in Ontario, Alberta, and British Columbia.
- Air Canada is working with the Creative Destruction Labs rapid testing consortium on rapid antigen screening in the workplace starting with pilots in Toronto and Montreal.
- Air Canada is the first Canadian airline to offer its customers the safety and convenience of a new boarding option utilizing facial biometrics. The technology is now available for customers departing from San Francisco International Airport. The airline plans to expand biometric boarding options to other U.S. airports in the near future and is currently exploring options which could be viable at Canadian airports.

Capacity and Route Network

As a result of the impact of the COVID-19 pandemic and related travel restrictions, Air Canada reduced ASM capacity by 67 per cent in 2020 compared to 2019 and plans to reduce first quarter 2021 capacity approximately 85 per cent compared to the first quarter of 2019 (also represents a reduction of approximately 83 per cent compared to the first quarter of 2020). The airline will continue to dynamically adjust capacity and take other measures as required to adjust for demand, including as a result of health warnings, travel restrictions, quarantines, border closures and market and regulatory conditions.



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Canadian travel and quarantine restrictions include the following:

- Travel bans prohibiting all foreign nationals from entering Canada by air under provisions of the Aeronautics Act and Quarantine Act under two different orders (one for United States arrivals and one for all other international arrivals), subject to limited exceptions (for example, for family members, compassionate reasons, and international students).
- 14-day quarantine requirements under the Quarantine Act for all travellers entering Canada, including Canadians.
- Interprovincial restrictions on travel and/or quarantines in numerous provinces, including Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland, Manitoba, and in the three territories – for all persons including Canadians.
- The Government of Canada also has a global travel advisory in place advising Canadians to avoid all nonessential travel outside of Canada.
- Effective January 7, 2021, the Government of Canada requires airline passengers five years of age or older entering Canada from an international destination to provide, prior to boarding a flight, a negative COVID-19 PCR test, subject to limited exceptions (for example, airline crews re-entering Canada and aircraft maintenance engineers). Despite a negative COVID-19 PCR test, all customers entering Canada are required to complete the full mandatory 14-day quarantine.
- On January 29, 2021, the Canadian Government announced the following additional restrictions and measures:
 - Effective February 4, 2021, all scheduled international passenger flights into Canada must land at the following four airports: Montréal-Trudeau International Airport, Toronto Pearson International Airport, Calgary International Airport, and Vancouver International Airport.
 - All Canadian airlines have suspended flight to Mexico and the Caribbean between February 1 and April 30, 2021.
 - All air travellers arriving in Canada, with limited exceptions, will shortly be required to take a COVID-19 PCR test upon arrival and quarantine at a Government of Canada-approved hotel at their own expense while they await their results. If the result of the COVID-19 PCR test is negative, travellers will be able to complete the 14-day mandatory quarantine at a suitable location of their choice that allows them to observe their quarantine. If the COVID-19 PCR result is positive, travellers will have to complete the mandatory 14-day quarantine at a Government of Canada-supervised facility.

Financing and Liquidity

Air Canada concluded a series of financing transactions in 2020, totalling \$6.780 billion, to support the implementation of its planned mitigation and recovery measures in response to the COVID-19 pandemic and provide it with additional operational flexibility.



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- In March 2020, Air Canada drew down its US\$600 million and \$200 million revolving credit facilities for aggregate net proceeds of \$1.027 billion.
- In June 2020, Air Canada concluded an underwritten public offering of 35,420,000 Class A variable voting shares and/or Class B voting shares of Air Canada at a price of \$16.25 per share, for aggregate proceeds of \$576 million, and a concurrent private placement of convertible senior unsecured notes due 2025 for aggregate proceeds of US\$748 million (\$1.011 billion).
- In June 2020, Air Canada completed a private offering of \$840 million aggregate principal amount of 9.00 per cent Second Lien Secured Notes due 2024, which were sold at 98 per cent of par.
- In June 2020, Air Canada completed a private offering of one tranche of Class C Enhanced Equipment Trust Certificates (“EETCs”) with a combined aggregate face amount of approximately US\$316 million (\$426 million), which were sold at 95.002 per cent of par.
- In September 2020, Air Canada concluded a private offering of two tranches of EETCs, the proceeds of which were used to purchase equipment notes issued by Air Canada and secured by three Boeing 787-9 aircraft, three Boeing 777-300ER aircraft, one Boeing 777-200LR and nine Airbus A321-200 aircraft. The two tranches of certificates have a combined aggregate face amount of US\$553 million (\$740 million) and a weighted average interest rate of 5.73 per cent. Air Canada used the proceeds from this financing together with cash on hand to repay in full the US\$600 million (\$803 million) 364-day term loan originally put in place in April 2020 and discussed in Air Canada’s second quarter 2020 MD&A.
- In September 2020, Air Canada concluded a committed secured facility totaling \$788 million to finance the purchase of the first 18 Airbus A220 aircraft. As aircraft are financed under this facility, the bridge financing of \$788 million put in place in April 2020 (and discussed in Air Canada’s second quarter 2020 MD&A) will be repaid concurrently. At December 31, 2020, there were 15 Airbus A220 aircraft financed under this facility with the corresponding bridge financing repaid.
- In October 2020, Air Canada completed sale and leaseback transactions for nine Boeing 737 MAX 8 aircraft for total proceeds of US\$365 million (\$485 million). The nine aircraft were delivered to Air Canada in the past three years.
- In December 2020, Air Canada concluded an underwritten public offering of 35,420,000 Class A variable voting shares and/or Class B voting shares of Air Canada at a price of \$24 per share, for aggregate proceeds of \$850 million. In January 2021, the underwriters exercised their over-allotment option to purchase an additional 2,587,000 shares at a price of \$24 per share, for gross proceeds of \$62 million.
- Air Canada’s unencumbered asset pool (excluding the value of Aeroplan, Air Canada Vacations and Air Canada Cargo) amounted to approximately \$1.7 billion at December 31, 2020. As part of Air Canada’s ongoing efforts to maintain adequate liquidity levels, additional financing arrangements continue to be assessed and may be pursued.



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- Air Canada suspended share purchases under its Normal Course Issuer Bid in early March 2020 and did not renew its issuer bid upon its expiry in the second quarter of 2020.

Cost Reduction and Capital Reduction and Deferral Program

- Air Canada completed a company-wide cost reduction and capital reduction and deferral program for 2020 which reached \$1.7 billion. On a capacity reduction of 67 per cent, 2020 operating expenses decreased \$7.872 billion or 45 per cent from 2019, reflecting the significant progress made on both managing variable costs and reducing fixed expenses. Air Canada continues to seek additional opportunities for cost reduction and cash preservation.
- Air Canada completed a workforce reduction of approximately 20,000 employees, representing more than 50 per cent of its workforce. This was achieved through layoffs, terminations of employment, voluntary separations, early retirements, and special leaves. In January 2021, Air Canada announced another workforce reduction of approximately 1,700 employees. The airline is working with its unions on mitigation programs.
- Air Canada adopted the Canada Emergency Wage Subsidy (CEWS) for most of its workforce effective March 15, 2020. The net benefit for employee wages under this program in 2020 was \$554 million, which has supported the airline in retaining a workforce well in excess of current capacity levels. In September 2020, the Government of Canada announced an extension of the program to June 2021. Air Canada intends to continue its participation in the CEWS program, subject to meeting the eligibility requirements.
- Air Canada is permanently retiring 79 older aircraft from its fleet – consisting of its less efficient Boeing 767, Airbus A319 and Embraer 190 aircraft. Their retirement will reduce Air Canada's cost structure, simplify the airline's overall fleet, and lower its carbon footprint.
- Air Canada concluded an amendment to the purchase agreement for Airbus A220-300 aircraft which became effective in early November 2020 and pursuant to which Air Canada has deferred 18 aircraft deliveries over 2021 and 2022. Also, Air Canada will not be purchasing the last 12 Airbus A220 aircraft from its original order of 45 aircraft.
- In early November 2020, Air Canada also amended its agreement with Boeing to cancel 10 Boeing 737 MAX 8 aircraft deliveries from its firm order of 50 aircraft and to defer its remaining 16 aircraft deliveries over the late 2021 to 2023 period.
- Through its fleet restructuring and other capital reduction initiatives, Air Canada lowered its planned capital expenditures by approximately \$3.0 billion for the 2020 to 2023 period compared to its projected capital expenditures at the end of 2019.

Aviation Sector Financial Support

In the fourth quarter of 2020, the Canadian government announced that it was developing a package of assistance to Canadian airlines, airports and the aerospace sector and indicated that any assistance provided as part of such package would (i) include strict conditions to protect Canadians and the public interest, (ii) require airlines to provide ticket refunds for flights postponed or cancelled in relation to the COVID-19 pandemic, and (iii) ensure Canadians and regional communities retain air connections within Canada.



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Unlike in many other countries, including the United States, the Canadian government has not provided any financial assistance or other relief specifically for Canadian airlines in response to the COVID-19 pandemic. For example, the United States, through several initiatives under the CARES program, has provided the U.S. industry approximately US\$65 billion in support through various loans, grants and other programs, which most of the U.S. airlines have accessed.

Air Canada is encouraged with the constructive nature of discussions that it has had with representatives of the Canadian government with a view to securing financial support to help ensure the competitiveness of Air Canada and the Canadian airline industry and which, if successful, would be expected to take into account the above policy considerations set out by the Canadian government. While discussions are advancing, there can be no assurance that such discussions will lead to the completion of definitive agreements with the Government of Canada on sector financial support on terms acceptable to Air Canada.

Proposed Acquisition of TRANSAT A.T.

On October 10, 2020, Air Canada announced amendments to the acquisition transaction with Transat A.T. Inc. ("Transat") previously disclosed. The acquisition agreement provides for the acquisition by Air Canada of all the shares of Transat for \$5.00 per share, payable at the option of Transat shareholders in cash or shares of Air Canada at a fixed exchange ratio of 0.2862 Air Canada share for each Transat share (representing a price for the Air Canada shares of \$17.47). However, the transaction remains subject to certain conditions including, notably, the ongoing approval process of regulatory authorities.

Under the acquisition agreement with Transat, closing of the transaction was to be completed no later than February 15, 2021; it may be extended at any time by agreement of the parties and remains in force unless terminated by either of them.

Full Year 2020 Summary

Air Canada recorded a net loss of \$4.647 billion or \$16.47 per diluted share compared to net income of \$1.476 billion or \$5.44 earnings per diluted share in 2019.

In 2020, net cash used in operating activities of \$2.353 billion deteriorated by \$8.065 billion from 2019 on lower operating results and lower cash from working capital due to lower advance ticket sales, both reflecting the impact of the COVID-19 pandemic. The first quarter of 2019 was favourably impacted by receipts amounting to \$1.612 billion in conjunction with Air Canada's acquisition of Aeroplan.

In 2020, net cash flows from financing activities of \$4.702 billion increased \$6.151 billion from 2019. In 2020, net proceeds from equity and debt financings amounted to \$7.553 billion, reflecting the impact of the financing transactions discussed above.



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In 2020, net cash flows used in investing activities of \$733 million reflected a reduction of \$2.062 billion from 2019, mainly due to a lower level of capital expenditures year-over-year, proceeds from the sale and leaseback of nine Boeing 737 MAX 8 aircraft, and movements between cash and short and long-term investments. At December 31, 2020, Air Canada had 15 Airbus A220 aircraft in its operating fleet. Additions to property and equipment is net of additional settlement payments received from Boeing related to the grounding of the 737 MAX fleet. The first quarter of 2019 included the impact of Air Canada's acquisition of Aeroplan on January 10, 2019.

At December 31, 2020, net debt of \$4.976 billion increased \$2.135 billion from December 31, 2019, reflecting the impact of net cash used for operating and investing activities in 2020, as discussed above. The impact of a stronger Canadian dollar, at December 31, 2020 compared to December 31, 2019, decreased foreign currency denominated debt (mainly U.S. dollars) by \$346 million.

In 2020, net cash burn⁽¹⁾ was \$4.672 billion, or approximately \$13 million per day, on average.

Fourth Quarter Summary

Air Canada recorded negative EBITDA (excluding special items) of \$728 million in the fourth quarter of 2020 compared to EBITDA of \$665 million in the fourth quarter of 2019. The airline reported an operating loss of \$1.003 billion and a net loss of \$1.161 billion or \$3.91 per diluted share in the fourth quarter of 2020 compared to operating income of \$145 million and net income of \$152 million or \$0.56 per diluted share in the fourth quarter of 2019.

In the fourth quarter of 2020, net cash flows used in operating activities of \$796 million deteriorated by \$1.473 billion from the same quarter in 2019 on lower operating results, reflecting the impact of the COVID-19 pandemic.

In the fourth quarter of 2020, net cash flows from financing activities of \$558 million improved \$959 million from the fourth quarter of 2019. Net proceeds from equity and debt financings amounted to \$1.066 billion in the fourth quarter of 2020 while reduction of long-term debt and lease liabilities amounted to \$508 million.

In the fourth quarter of 2020, net cash flows received from investing activities of \$159 million reflected an increase of \$312 million from the fourth quarter of 2019, mainly due to proceeds from the sale and leaseback of nine Boeing 737 MAX 8 aircraft.

In the fourth quarter of 2020, net cash burn of \$1.384 billion, or approximately \$15 million per day, on average, was in line with management's expectations provided in Air Canada's December 15, 2020 news release of between \$14 million to \$16 million per day, on average. Air Canada's net cash burn included \$4 million per day in capital expenditures and \$4 million per day in lease and debt service costs. Net cash burn, after including proceeds of the aircraft financing consummated in the fourth quarter of 2020 (related to the delivery of five Airbus A220 aircraft), was \$12 million per day, on average.



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Outlook and Major Assumptions

As indicated above, Air Canada plans to reduce its first quarter 2021 capacity by approximately 85 per cent from the same quarter in 2019 (a reduction of approximately 83 per cent compared to the first quarter of 2020), which is greater than the 80 per cent reduction (compared to the same quarter in 2019) that Air Canada announced in its January 13, 2021 news release. The revised lower projected capacity is primarily driven by the more severe travel restrictions recently announced, including the requirement of a negative pre-departure COVID-19 PCR test from international destinations, the suspension of flights to Mexico and the Caribbean effective February 1, 2021, the announcement of required arrival testing at four designated funnel airports from all international destinations, and the imposition of supervised quarantine periods at government-mandated hotels. The airline will continue to dynamically adjust capacity and take other measures, including as required to account for health warnings, travel restrictions, border closures globally and passenger demand.

For 2021, Air Canada has updated its definition of net cash burn to include net financing proceeds received related to aircraft deliveries, as these proceeds reduce net cash flows related to investing activities. Refer to “Non-GAAP Measures” below for additional information.

Based on this updated definition, Air Canada projects net cash burn of between \$1.35 billion and \$1.53 billion (or between \$15 million and \$17 million per day, on average) in the first quarter of 2021. This net cash burn projection includes \$4 million per day in lease and debt service costs and \$2 million per day in net capital expenditures.

The increase in projected net cash burn versus the net cash burn of an average of \$12 million per day in the fourth quarter of 2020 is primarily due to lower EBITDA and lower advance ticket sales and other working capital items. In addition, net capital expenditures increased \$1 million per day compared to the fourth quarter of 2020.

(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 Fourth Quarter 2020 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.



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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, and investing activities, and excludes proceeds from new financings, lump sum debt maturities made where the Corporation 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. For 2021, net cash burn will also include net financing proceeds received related to aircraft deliveries, as these proceeds reduce net cash flows related to investing activities.

Air Canada's 2020 Consolidated Financial Statements and Notes and its 2020 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 30, 2020, consult SEDAR at www.sedar.com.

Fourth Quarter Analyst Conference Call

Air Canada will host its quarterly analysts' call on Friday, February 12, 2021 at 08:30 a.m. ET. Calin Rovinescu, President and Chief Executive Officer, Michael Rousseau, Deputy Chief Executive Officer 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. Rousseau and Pierre Houle, Vice President and Treasurer, will be available to answer questions from term loan B lenders and holders of Air Canada's bonds.

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

Dial 1-800-806-5484 toll free or +1-416-340-2217

Passcode: 4919163#

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

Live audio webcast: <https://bell.media-server.com/mmc/p/m74i2d33>

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.



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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 discussed in this news release and the documents incorporated by reference herein, 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 rest of 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 impact 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 which 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, including through government financial assistance, 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, the grounding of the Boeing 737 MAX aircraft in certain jurisdictions and 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" of Air Canada's 2020 MD&A. Furthermore, the acquisition of Transat A.T. Inc. is subject to regulatory approvals and certain conditions, and there are no assurances that the acquisition will be completed as described in this news release or at all. 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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INFORMATION

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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)						
	Fourth Quarter			Full Year		
Financial Performance Metrics	2020	2019	\$ Change	2020	2019	\$ Change
Operating revenues	827	4,429	(3,602)	5,833	19,131	(13,298)
Operating income (loss)	(1,003)	145	(1,148)	(3,776)	1,650	(5,426)
Income (loss) before income taxes	(1,275)	172	(1,447)	(4,853)	1,775	(6,628)
Net income (loss)	(1,161)	152	(1,313)	(4,647)	1,476	(6,123)
Adjusted pre-tax income (loss) ⁽¹⁾	(1,326)	66	(1,392)	(4,425)	1,273	(5,698)
EBITDA (excluding special items) ⁽¹⁾	(728)	665	(1,393)	(2,043)	3,636	(5,679)
Unrestricted liquidity ⁽²⁾	8,013	7,380	633	8,013	7,380	633
Net cash flows from (used in) operating activities	(796)	677	(1,473)	(2,353)	5,712	(8,065)
Free cash flow ⁽¹⁾	(646)	426	(1,072)	(3,070)	2,075	(5,145)
Net debt ⁽¹⁾	4,976	2,841	2,135	4,976	2,841	2,135
Diluted earnings (loss) per share	(3.91)	0.56	(4.47)	(16.47)	5.44	(21.91)
Operating Statistics ⁽³⁾	2020	2019	% Change	2020	2019	% Change
Revenue passenger miles ("RPM") (millions)	2,432	21,403	(88.6)	23,239	94,113	(75.3)
Available seat miles ("ASM") (millions)	6,000	26,431	(77.3)	37,703	112,814	(66.6)
Passenger load factor %	40.5%	81.0%	(40.5) pp	61.6%	83.4%	(21.8) pp
Passenger revenue per RPM ("Yield") (cents)	19.5	18.6	5.1	18.9	18.3	3.0
Passenger revenue per ASM ("PRASM") (cents)	7.9	15.0	(47.4)	11.6	15.3	(23.9)
Operating revenue per ASM (cents)	13.8	16.8	(17.8)	15.5	17.0	(8.8)
Operating expense per ASM ("CASM") (cents)	30.5	16.2	NM ⁽⁸⁾	25.5	15.5	NM
Adjusted CASM (cents) ⁽¹⁾	29.8	11.9	NM	21.6	11.1	NM
Average number of full-time-equivalent ("FTE") employees (thousands) ⁽⁴⁾	17.9	33.3	(46.3)	21.1	32.9	(35.8)
Aircraft in operating fleet at period-end ⁽⁵⁾	344	403	(14.6)	344	403	(14.6)
Seats dispatched (thousands)	3,673	15,506	(76.3)	22,780	64,653	(64.8)
Aircraft frequencies (thousands)	31.1	130.3	(76.1)	191.5	548.5	(65.1)
Average stage length (miles) ⁽⁶⁾	1,634	1,705	(4.2)	1,655	1,745	(5.1)
Fuel cost per litre (cents)	50.4	75.0	(32.8)	61.4	76.1	(19.3)
Fuel litres (thousands)	372,204	1,349,573	(72.4)	2,153,764	5,713,924	(62.3)
Revenue passengers carried (thousands) ⁽⁷⁾	1,625	12,048	(86.5)	13,760	51,543	(73.3)

- (1) *Adjusted pre-tax income (loss), EBITDA (excluding special items) (earnings before interest, taxes, depreciation and amortization), free cash flow and adjusted CASM are each non-GAAP financial measures and net debt is an additional GAAP measure. Refer to section 19 of Air Canada's 2020 MD&A for descriptions of Air Canada's non-GAAP financial measures and additional GAAP 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 December 31, 2020, unrestricted liquidity was comprised of cash, cash equivalents and short-term investments of \$7,501 million, and long-term investments of \$512 million. At December 31, 2019, unrestricted liquidity was comprised of cash, cash equivalents and short-term investments of \$5,889 million, long-term investments of \$512 million and undrawn lines of credit of \$979 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) *The number of aircraft in Air Canada's operating fleet at December 31, 2020 includes a number of aircraft that have been grounded due to the impact of the COVID-19 pandemic as well as 24 Boeing 737 MAX aircraft which remained grounded at December 31, 2020. Refer to section 7 "Fleet" of Air Canada's 2020 MD&A for additional information.*
- (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) *"NM" denotes "Not Meaningful" and is included in the table above where a comparison to prior periods would not be meaningful.*