

News Releases

News Releases

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, Feb. 12, 2021 /CNW/ - Total revenues of \$5.833 billion in 2020 declined \$13.298 billion or 70 per cent from 2019 reported 2020 negative EBITDA⁽¹⁾ (excluding special items) or (earnings before interest, taxes, depreciation and amortization) of \$3.776 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 aviation, after having reported several years of record results and record growth at Air Canada. The catastrophic government-imposed travel restrictions and quarantines has been felt across our entire network, deeply affecting our stakeholders. It has resulted in a 73 per cent decline in passengers carried at Air Canada during the year and a \$3.8 billion operating loss. Yet, despite a year-long onslaught of bad news, uncertainty and challenges posed by constantly changing circumstances, our employees valiantly served our remaining customers professionally and transported them safely to their destinations. Our pilots completed hundreds of repatriation flights and our Cargo team transported essential Personal Protective Equipment to the rest of the world. I commend them for their courage as well as for their tireless efforts in these exceptionally trying circumstances. We are proud of our company well for when we emerge from the pandemic," said Calin Rovinescu, President and Chief Executive Officer.

"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. Our significant liquidity throughout 2020 indicates, investors and financial markets share our optimistic long-term outlook. I am also very encouraged by the constructive nature of discussions that we have had with the Government concerning financial support over the last several weeks. While there is no assurance at this stage that we will arrive at a full recovery, 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 our fleet, dismantling a global network ten years in the making, suspending service to many communities and aggressively reducing costs. At the same time, we have bolstered our liquidity position through several debt and equity financings to allow us the flexibility and to support the implementation of our COVID-19 Mitigation and Recovery Plan. We rationalized our fleet through the permanent removal of older, less efficient aircraft, and restructured new aircraft orders so that we will have a greener fleet that is right-sized for the post-COVID-19 recovery period. In addition, we completed essential investments such as rolling out our new reservation system and delivering on a much-improved Aeroplan loyalty program to our customers. As industry leaders, our Cargo team delivered stellar results in 2020 and showed that we can build a strong, diversified business forward," said Mr. Rovinescu.

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

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

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 procedures for travellers and employees in airports, onboard aircraft and in other workplaces to account for COVID-19 as it becomes available. This includes a requirement for customers and crew to wear a protective face mask, enhanced protective personal equipment for airport agents and crews, the reinforcement of safe practices such as social distancing, handwashing and collaborating with the Canadian federal government to screen passengers to help determine if they are safe to travel.

- To underscore its commitment to customer and employee safety, Air Canada introduced Air Canada Clean, a new standard designed to reduce the risk of exposure to COVID-19 through such measures as enhanced aircraft ground cleaning, customer temperature checks and facial coverings, in addition to required health questionnaires and pre-flight health care kits for hand cleaning and hygiene. In January 2021, Air Canada received the Diamond certification from the International Experience Association (APEX) Health Safety powered by SimpliFlying. The Diamond Certification recognizes Air Canada's hospital-grade levels of biosecurity across multiple passenger touchpoints. The certification program aims to ensure the highest level of health and safety measures focused on airline customers.
- Air Canada has introduced numerous touchless processes throughout the customer journey, including: 100% touchless flights departing from Canadian airports, the ability to order food directly in Maple Leaf Lounges from smartphone apps, touchless self-entry to the Air Canada Café for when it reopens, and provisioning of all newspapers and magazines via PressReader.
- Air Canada has undertaken several medical collaborations to continue advancing biosafety across its business. In 2020, Air Canada partnered with Cleveland Clinic Canada in Toronto, a renowned global healthcare leader, to provide additional science-based support to the COVID-19 response; with Ottawa-based Spartan Bioscience to explore rapid COVID-19 testing in an aviation context; in early 2019, with Toronto-based BlueDot, a company that monitors infectious diseases globally in real time, to provide relevant information to make business and safety decisions quickly.
- Air Canada partnered with McMaster HealthLabs and the Greater Toronto Airports Authority in a study on COVID-19 testing for travellers arriving at Toronto Pearson International Airport. Preliminary results have indicated that testing can provide an alternative to facilitate the safe relaxation of quarantines. Final results are currently being analyzed and shared 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 overall 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 workforce.

enabled TraceSCAN app and wearable technology developed by Canadian-based Facedrive Inc. Following 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 receive a COVID-19 PCR test to support compliance with international travel requirements. The test is now available in Alberta, and British Columbia.
- Air Canada is working with the Creative Destruction Labs rapid testing consortium on rapid antigen screening 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 process using biometrics. The technology is now available for customers departing from San Francisco International Airport. Air Canada will expand biometric boarding options to other U.S. airports in the near future and is currently exploring options 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 in the first quarter of 2020 compared to 2019 and plans to reduce first quarter 2021 capacity approximately 85 per cent compared to 2019 (also represents a reduction of approximately 83 per cent compared to the first quarter of 2020). The airline will continue to adjust capacity and take other measures as required to adjust for demand, including as a result of health warnings, quarantines, border closures and market and regulatory conditions.

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 under two different orders (one for United States arrivals and one for all other international arrivals), subject to certain exemptions (for example, for family members, compassionate reasons, and international students).
- 14-day quarantine requirements under the Quarantine Act for all travellers entering Canada, including Canadian citizens and permanent residents.
- 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 non-essential international travel to and from Canada.
- Effective January 7, 2021, the Government of Canada requires airline passengers five years of age or older returning from an international destination to provide, prior to boarding a flight, a negative COVID-19 PCR test, subject to limited exemptions (for example, airline crews re-entering Canada and aircraft maintenance engineers). Despite a negative COVID-19 PCR test, passengers 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 Montréal-Trudeau International Airport, Toronto Pearson International Airport, Calgary International Airport, or Vancouver International Airport.
 - All Canadian airlines have suspended flight to Mexico and the Caribbean between February 1 and April 1, 2021.

- All air travellers arriving in Canada, with limited exceptions, will shortly be required to take a COVID-19 quarantine at a Government of Canada-approved hotel at their own expense while they await their re COVID-19 PCR test is negative, travellers will be able to complete the 14-day mandatory quarantine at choice that allows them to observe their quarantine. If the COVID-19 PCR result is positive, travellers v 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 imple mitigation and recovery measures in response to the COVID-19 pandemic and provide it with additional ope

- In March 2020, Air Canada drew down its US\$600 million and \$200 million revolving credit facilities for a g \$1.027 billion.
- In June 2020, Air Canada concluded an underwritten public offering of 35,420,000 Class A variable voting shares of Air Canada at a price of \$16.25 per share, for aggregate proceeds of \$576 million, and a concur 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 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 Tru a combined aggregate face amount of approximately US\$316 million (\$426 million), which were sold at 9
- In September 2020, Air Canada concluded a private offering of two tranches of EETCs, the proceeds of w equipment notes issued by Air Canada and secured by three Boeing 787-9 aircraft, three Boeing 777-300 200LR and nine Airbus A321-200 aircraft. The two tranches of certificates have a combined aggregate fac (\$740 million) and a weighted average interest rate of 5.73 per cent. Air Canada used the proceeds from cash on hand to repay in full the US\$600 million (\$803 million) 364-day term loan originally put in place in Air Canada's second quarter 2020 MD&A.
- In September 2020, Air Canada concluded a committed secured facility totaling \$788 million to finance th Airbus A220 aircraft. As aircraft are financed under this facility, the bridge financing of \$788 million put in discussed in Air Canada's second quarter 2020 MD&A) will be repaid concurrently. At December 31, 2020 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 airca 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 v voting shares of Air Canada at a price of \$24 per share, for aggregate proceeds of \$850 million. In January exercised their over-allotment option to purchase an additional 2,587,000 shares at a price of \$24 per sh \$62 million.
- Air Canada's unencumbered asset pool (excluding the value of Aeroplan, Air Canada Vacations and Air Ca approximately \$1.7 billion at December 31, 2020. As part of Air Canada's ongoing efforts to maintain ad additional financing arrangements continue to be assessed and may be pursued.
- Air Canada suspended share purchases under its Normal Course Issuer Bid in early March 2020 and did

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. On a capacity reduction of 67 per cent, 2020 operating expenses decreased \$7.872 billion or 45 per cent, representing the significant progress made on both managing variable costs and reducing fixed expenses. Air Canada has identified several opportunities for cost reduction and cash preservation.
- Air Canada completed a workforce reduction of approximately 20,000 employees, representing more than 10 per cent of the workforce. This was achieved through layoffs, terminations of employment, voluntary separations, early leaves. In January 2021, Air Canada announced another workforce reduction of approximately 1,700 employees 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 total amount for employee wages under this program in 2020 was \$554 million, which has supported the airline in retaining its workforce in excess of current capacity levels. In September 2020, the Government of Canada announced an extension of the CEWS program to 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 737-400 and Boeing 777-300ER aircraft. Their retirement will reduce Air Canada's cost structure, simplify the airline's overall fleet, and improve operational efficiency.
- Air Canada concluded an amendment to the purchase agreement for Airbus A220-300 aircraft which became effective in November 2020 and pursuant to which Air Canada has deferred 18 aircraft deliveries over 2021 and 2022. Air Canada will 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 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 to 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 for the aviation sector and indicated that any assistance provided as part of such package would (i) be temporary, (ii) require airlines to provide ticket refunds for flights postponed or cancelled due to the COVID-19 pandemic, and (iii) ensure Canadians and regional communities retain air connections within Canada.

Unlike in many other countries, including the United States, the Canadian government has not provided any relief specifically for Canadian airlines in response to the COVID-19 pandemic. For example, the United States under the CARES program, has provided the U.S. industry approximately US\$65 billion in support through various 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 which, if successful, would be expected to take into account the above policy considerations set out by the government.

government. While discussions are advancing, there can be no assurance that such discussions will lead to 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. It disclosed. The acquisition agreement provides for the acquisition by Air Canada of all the shares of Transat at the option of Transat shareholders in cash or shares of Air Canada at a fixed exchange ratio of 0.2862 Air Transat share (representing a price for the Air Canada shares of \$17.47). However, the transaction remains 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 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 \$1.4 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 cash from working capital due to lower advance ticket sales, both reflecting the impact of the COVID-19 quarter of 2019 was favourably impacted by receipts amounting to \$1.612 billion in conjunction with Air Car Aeroplan.

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

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

At December 31, 2020, net debt of \$4.976 billion increased \$2.135 billion from December 31, 2019, reflecting for operating and investing activities in 2020, as discussed above. The impact of a stronger Canadian dollar, compared to December 31, 2019, decreased foreign currency denominated debt (mainly U.S. dollars) by \$34

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 \$1.003 billion in the fourth quarter of 2019. The airline reported an operating loss of \$1.003 billion and a net loss of \$1.003 billion per diluted share in the fourth quarter of 2020 compared to operating income of \$145 million and net income of \$145 million 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 \$1.4 billion from the fourth 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. Net proceeds from 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 \$159 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, exceeded management's expectations provided in Air Canada's December 15, 2020 news release of between \$14 million and \$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 operating costs. Net cash burn, after including proceeds of the aircraft financing consummated in the fourth quarter of 2020 (including the delivery of five Airbus A220 aircraft), was \$12 million per day, on average.

Outlook and Major Assumptions

As indicated above, Air Canada plans to reduce its first quarter 2021 capacity by approximately 85 per cent compared to the first quarter of 2019 (a reduction of approximately 83 per cent compared to the first quarter of 2020), which is greater than the 75 per cent reduction (compared to the same quarter in 2019) that Air Canada announced in its January 13, 2021 news release. This capacity reduction is primarily driven by the more severe travel restrictions recently announced, including the requirement for a COVID-19 PCR test from international destinations, the suspension of flights to Mexico and the Caribbean in 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 adjust capacity and take other measures, including as required to account for health warnings, travel restrictions, border closures, and passenger demand.

For 2021, Air Canada has updated its definition of net cash burn to include net financing proceeds received as these proceeds reduce net cash flows related to investing activities. Refer to "Non-GAAP Measures" below for more 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 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, the increase is also due to the impact of the COVID-19 pandemic on the airline's operations.

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 a financial and operating performance. Such measures are not recognized measures for financial statement purposes and may not have standardized meanings, may not be comparable to similar measures presented by other entities as a substitute for, or superior to, GAAP results. Readers are advised to review the section entitled Non-GAAP Measures in Air Canada's Fourth Quarter 2020 MD&A for a further discussion of such non-GAAP measures and a reconciliation to Canadian GAAP.

EBITDA (earnings before interest, taxes, depreciation and amortization) is commonly used in the airline industry in Canada as a means to view operating results before interest, taxes, depreciation and amortization as these items are consistent among airlines due to differences in the way airlines finance their aircraft and other assets. Air Canada excludes EBITDA as these items may distort the analysis of certain business trends and render comparative analysis less meaningful.

Net cash burn is commonly used in the airline industry and is used by Air Canada as a measure of cash used to support capital expenditures, and settle normal debt repayments, all before the net impact of new financing. Net cash burn is defined as net cash flows from operating, financing, and investing activities, and excludes proceeds from new debt maturities made where the Corporation has refinanced or replaced the amount, and proceeds from sale of assets. Net cash burn also excludes movements between cash and short and long-term investments. For 2021, net cash burn excludes net financing proceeds received related to aircraft deliveries, as these proceeds reduce net cash flows related to operating activities.

Air Canada's 2020 Consolidated Financial Statements and Notes and its 2020 Management's Discussion and 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, please 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, Executive Officer, Michael Rousseau, Deputy Chief Executive Officer and Chief Financial Officer, and Lucie Gauthier, President and Chief Commercial Officer, will be available for analysts' questions. Immediately following the call, Michael Rousseau and Pierre Houle, Vice President and Treasurer, will be available to answer questions from term 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 analyses and other information that are based on forecasts of future results and estimates of amounts not yet determined may involve, but are not limited to, comments relating to guidance, strategies, expectations, planned operations or forward-looking statements are identified using terms and phrases such as "preliminary", "anticipate", "believe", "could", "expect", "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 incorporated by reference herein and are subject to important risks and uncertainties. Notably, Air Canada's expected cash burn are subject to a number of assumptions, including current assumptions regarding its ability to implement the strategies discussed in this news release and the documents incorporated by reference herein, rates of ticket refunds, and other factors, including the level of advance ticket sales. Forward-looking statements cannot be relied upon due to, among other things, external events and general uncertainties of the business of Air Canada. Actual results may differ materially from 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 cash flows as a result of the COVID-19 pandemic and the travel restrictions imposed in many countries around the world. The impact of the COVID-19 pandemic began to be felt in traffic and sales figures commencing in early March 2020 and include drastic declines in earnings and cash flow from operations. There is very limited visibility on travel demand due to travel restrictions in place around the world and the severity of the restrictions in Canada; these restrictions and concerns about the COVID-19 pandemic as well as passenger concerns and expectations about the need for certain precautions, such as wearing masks, are severely inhibiting demand. The COVID-19 pandemic is also having significant economic impacts, including on business activity which may in turn significantly impact demand for travel. Air Canada cannot predict the full impact or the timing of a recovery. Air Canada is actively monitoring the situation and will respond as the impact of the COVID-19 pandemic evolves. A number of factors including the course of the virus, availability of rapid, effective testing, vaccinations and treatments, and passenger reaction, as well as timing of a recovery in international and business travel which are impacting 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 geopolitical conditions, Air Canada's ability to successfully achieve or sustain positive net profitability, industry and demand environment, Air Canada's ability to pay its indebtedness and maintain or increase liquidity, including through government assistance, competition, energy prices, Air Canada's dependence on technology, cybersecurity risks, Air Canada's ability to execute its appropriate strategic and other important initiatives (including Air Canada's ability to reduce operating costs), other factors.

acts, war, Air Canada's dependence on key suppliers, casualty losses, changes in laws, regulatory developments or ability to successfully operate its new loyalty program, climate change and environmental factors (including weather phenomena and factors arising from man-made sources), interruptions of service, Air Canada's dependence on re, Canada's ability to preserve and grow its brand, employee and labour relations and costs, Air Canada's dependence on joint ventures, limitations due to restrictive covenants, pending and future litigation and actions by third parties, current operations of the Boeing 737 MAX aircraft in certain jurisdictions and risks generally relating to the grounding of aircraft fleet type, Canada's ability to attract and retain required personnel, insurance issues and costs, as well as the factors identified in the disclosure file available at www.sedar.com and, in particular, those identified in section 17 "Risk Factors" of Air Canada's 2020 Annual Report. Furthermore, the acquisition of Transat A.T. Inc. is subject to regulatory approvals and certain conditions, and the acquisition will be completed as described in this news release or at all. The forward-looking statements contained in this news release represent Air Canada's expectations as of the date of this news release or as of the date they were made) and are subject to change after such date. However, Air Canada disclaims any intention or obligation to update forward-looking statements whether because of new information, future events or otherwise, except as required under applicable securities laws.

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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			2020
	2020	2019	\$ Change	
Financial Performance Metrics				
Operating revenues	827	4,429	(3,602)	5,8
Operating income (loss)	(1,003)	145	(1,148)	(3,7
Income (loss) before income taxes	(1,275)	172	(1,447)	(4,8
Net income (loss)	(1,161)	152	(1,313)	(4,6
Adjusted pre-tax income (loss) ⁽¹⁾	(1,326)	66	(1,392)	(4,4
EBITDA (excluding special items) ⁽¹⁾	(728)	665	(1,393)	(2,0
Unrestricted liquidity ⁽²⁾	8,013	7,380	633	8,0

Net cash flows from (used in) operating activities	(796)	677	(1,473)	(2,3
Free cash flow ⁽¹⁾	(646)	426	(1,072)	(3,0
Net debt ⁽¹⁾	4,976	2,841	2,135	4,9
Diluted earnings (loss) per share	(3.91)	0.56	(4.47)	(16.
Operating Statistics ⁽³⁾	2020	2019	% Change	2020
Revenue passenger miles ("RPM") (millions)	2,432	21,403	(88.6)	23,2
Available seat miles ("ASM") (millions)	6,000	26,431	(77.3)	37,7
Passenger load factor %	40.5%	81.0%	(40.5) pp	61
Passenger revenue per RPM ("Yield") (cents)	19.5	18.6	5.1	18
Passenger revenue per ASM ("PRASM") (cents)	7.9	15.0	(47.4)	17
Operating revenue per ASM (cents)	13.8	16.8	(17.8)	15
Operating expense per ASM ("CASM") (cents)	30.5	16.2	NM ⁽⁸⁾	25
Adjusted CASM (cents) ⁽¹⁾	29.8	11.9	NM	27
Average number of full-time-equivalent ("FTE") employees (thousands) ⁽⁴⁾	17.9	33.3	(46.3)	27
Aircraft in operating fleet at period-end ⁽⁵⁾	344	403	(14.6)	3
Seats dispatched (thousands)	3,673	15,506	(76.3)	22,7
Aircraft frequencies (thousands)	31.1	130.3	(76.1)	19
Average stage length (miles) ⁽⁶⁾	1,634	1,705	(4.2)	1,6
Fuel cost per litre (cents)	50.4	75.0	(32.8)	67
Fuel litres (thousands)	372,204	1,349,573	(72.4)	2,153,7

Revenue passengers carried (thousands) ⁽⁷⁾	1,625	12,048	(86.5)	13,7
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- (1) *Adjusted pre-tax income (loss), EBITDA (excluding special items) (earnings before interest, taxes, depreciation and adjusted CASM are each non-GAAP financial measures and net debt is an additional GAAP measure. See 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 is available 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 \$1,000 million and 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 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 were 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. See 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 revenue passengers carried.*
- (7) *Revenue passengers are counted on a flight number basis (rather than by journey/itinerary or by leg) which is consistent with the 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.*

SOURCE Air Canada

For further information: Contacts: media@aircanada.ca; Internet: aircanada.com/media