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- Transportation/Trucking/Railroads

## Air Canada Receives Conditional Exemption from Applicable Take-Over Bid and Related Early Warning Reporting Requirements

MONTREAL, May 4, 2012 /CNW Telbec/ - Air Canada (TSX: AC.B AC.A) announced today that it has received a conditional exemption which would effectively treat Air Canada's Class A variable voting and Class B voting shares as a single class for the purposes of applicable take-over bid requirements and early warning reporting requirements contained under Canadian securities laws. The exemption, however, will become effective immediately (but only) upon shareholder approval of proposed related amendments to Air Canada's shareholder rights plan agreement, which Air Canada will seek at its annual and special meeting of Air Canada shareholders to be held on June 4, 2012. Additional details of the exemption and the proposed amendments to Air Canada's shareholder rights plan agreement are provided below.

### *Exemption from Applicable Take-Over Bid Requirements and Proposed Amendments to Air Canada's Shareholder Rights Plan*

On May 4, 2012, pursuant to an application by Air Canada, the *Autorité des marchés financiers*, as principal regulator, the *Ontario Securities Commission* and the securities regulatory authorities in the other provinces of Canada granted exemptive relief (the "Decision") from (i) applicable formal take-over bid requirements, as contained under Canadian securities laws, such that those requirements would only apply to an offer to acquire 20% or more of the outstanding Class A variable voting shares and Class B voting shares of Air Canada on a combined basis, and (ii) applicable early warning reporting requirements, as contained under Canadian securities laws, such that those requirements would only apply to an acquirer who acquires or holds beneficial ownership of, or control or direction over 10% or more of the outstanding Class A variable voting shares and Class B voting shares of Air Canada on a combined basis (or 5% in the case of acquisitions during a take-over bid). A copy of the Decision is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The Decision, however, will become effective immediately (but only) upon shareholder approval of the proposed amendments to the shareholder rights plan agreement (the "Rights Plan") dated as of March 30, 2011 between Air Canada and CIBC Mellon Trust Company described in the management proxy circular. The proposed amendments are subject to approval by a majority of the holders of Class A variable voting shares and Class B voting shares of Air Canada (voting together as a single class), voting in person or by proxy at Air Canada's June 4, 2012 meeting. Subject to certain exceptions identified in the Rights Plan, the Rights Plan currently would be triggered in the event of an offer to acquire 20% or more (on a per class basis) of the outstanding Class A variable voting shares or Class B voting shares. The proposed amendments would modify the Rights Plan to be consistent with the Decision so that it would only be triggered by an offer to acquire 20% or more of the outstanding Class A variable voting shares and Class B voting shares of Air Canada on a combined basis. A copy of the management proxy circular is available on Air Canada's website at [aircanada.com](http://aircanada.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

### *Objective of the Decision*

While having increased its public float significantly over recent years, and having a flexible capital structure that is designed to permit non-Canadian (as defined under the *Canada Transportation Act*) investors to become shareholders of Air Canada, the relatively small number of outstanding Class A variable voting shares (the share class for non-Canadians) may limit the ability of non-Canadians to acquire shares of Air Canada. In an effort to facilitate the acquisition of Class A variable voting shares, Air Canada applied to the *Autorité des marchés financiers*, as principal regulator, and the *Ontario Securities Commission* in order to seek the Decision. Though applicable take-over bid rules and early warning requirements apply to the acquisition of securities of a class, it was acknowledged in the Decision that aggregating Class A variable voting shares and Class B voting shares for the purpose of the take-over bid rules and early warning requirements may facilitate the acquisition of Class A variable voting shares. Because of the relatively small public float of Class A variable voting shares (compared to the public float of Class B voting shares), absent the Decision, it may be more difficult for non-Canadians to acquire shares in the ordinary course without the apprehension of inadvertently triggering the take-over bid rules or early warning requirements. The Decision considered

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the fact that the Class A variable voting shares and Class B voting shares have identical terms except for the foreign ownership voting limitations applicable in the case of the Class A variable voting shares.

The Decision also takes into account the fact that Air Canada's dual class shareholding structure was implemented solely to ensure compliance with the requirements of the *Air Canada Public Participation Act* and the *Canada Transportation Act*. An investor does not control or choose which class of Air Canada shares it acquires and holds. The class of shares ultimately available to an investor is only a function of the investor's status as a Canadian (holders of Class B voting shares) or non-Canadian (holders of Class A variable voting shares).

Shareholders of Air Canada will be asked at the meeting to consider and, if thought advisable, adopt a resolution approving the proposed amendments to the Rights Plan.

The Rights Plan, approved at Air Canada's 2011 annual and special shareholders meeting, is designed to provide the Air Canada's shareholders and the Board of Directors additional time to assess an unsolicited take-over bid for the company and, where appropriate, to give the Board of Directors additional time to pursue alternatives for maximizing shareholder value. It also encourages fair treatment of all shareholders by providing them with an equal opportunity to participate in a take-over bid.

For more information relating to the proposed amendments to the Rights Plan, including the full text of the proposed amendments, please refer to Air Canada's management proxy circular which is available on Air Canada's website at [aircanada.com](http://aircanada.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

#### About Air Canada

Air Canada is Canada's largest domestic and international airline serving more than 180 destinations on five continents. Canada's flag carrier is the 15th largest commercial airline in the world and in 2011 served more than 33 million customers. Air Canada provides scheduled passenger service directly to 60 Canadian cities, 57 destinations in the United States and 63 cities in Europe, the Middle East, Asia, Australia, the Caribbean, Mexico and South America. Air Canada is a founding member of Star Alliance, the world's most comprehensive air transportation network serving 1,290 destinations in 189 countries. In 2011, Air Canada was ranked Best International Airline in North America in a worldwide survey of more than 18 million airline passengers conducted by independent research firm Skytrax.

#### CAUTION REGARDING FORWARD-LOOKING INFORMATION

*Air Canada's public communications may include forward-looking statements within the meaning of applicable securities laws. Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Forward-looking statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including without limitation, industry, market, credit and economic conditions, the ability to reduce operating costs and secure financing, pension issues, energy prices, employee and labour relations, currency exchange and interest rates, competition, war, terrorist acts, epidemic diseases, environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), insurance issues and costs, changes in demand due to the seasonal nature of the business, supply issues, changes in laws, regulatory developments or proceedings, pending and future litigation and actions by third parties as well as the factors identified throughout Air Canada's public disclosure file available at [www.sedar.com](http://www.sedar.com), and, in respect of the proposed amendments to Air Canada's shareholder rights plan referred to above, the obtaining of the required shareholder approval at Air Canada's June 4, 2012 annual and special meeting of shareholders. Any forward-looking statements contained in this news release represent Air Canada's expectations as of date of this news release 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 as a result of new information, future events or otherwise, except as required under applicable securities regulations.*

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