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Air Canada Provides Preliminary First Quarter Results and Update on Maintenance Arrangements Following Aveos Closure

MONTREAL, April 26, 2012 /CNW Telbec/ - Air Canada today provided the following update on the expected impact related to Aveos Fleet Performance Inc.'s (Aveos) filing for creditor protection under the Companies' Creditors Arrangement Act on its first quarter 2012 results and progress on transitional and long-term arrangements following Aveos's cessation of operations. Aveos was a separate and independently owned and managed supplier to Air Canada that provided aircraft, engine and component maintenance services to airlines, including Air Canada.

First Quarter 2012 results

The airline's first quarter 2012 results (scheduled to be released May 4, 2012) will include charges totalling \$120 million (reported below the operating income line) relating to Aveos. These charges are comprised of the following: (1) a non-cash loss on investments of \$65 million resulting from the 2010 restructuring of Aveos which will be recorded in Non-operating expense on Air Canada's consolidated statement of operations, and (2) a liability and corresponding loss from discontinued operations of \$55 million related to Air Canada's commitment under an employee separation program provided for in the January 2011 Canada Industrial Relations Board ruling which recognized separate bargaining units for Aveos and Air Canada unionized employees.

First quarter 2012 EBITDAR is expected to range between \$170 million and \$180 million, which is higher than analysts' consensus estimates. At March 31, 2012, cash and short-term investments amounted to \$2.249 billion, \$135 million higher than its cash and short-term investments balance at March 31, 2011.

All figures reported above with respect to the first quarter of 2012 are preliminary, have not been reviewed by Air Canada's auditors and are subject to change as Air Canada's first quarter 2012 financial results are finalized. The preliminary estimates provided constitute forward-looking statements within the meaning of applicable securities laws, are based on a number of assumptions and are subject to a number of risks and uncertainties. Please see section below entitled "Caution Regarding Forward-Looking Information."

Air Canada's unaudited interim condensed consolidated financial statements and the notes thereto and the related management's discussion and analysis of results and financial condition for the three months ended March 31, 2012 are expected to be available on Air Canada's website at www.aircanada.com and are expected to be filed on SEDAR at www.sedar.com, in each case on May 4, 2012. Readers should refer to Air Canada's management's discussion and analysis of results and financial condition for the three months ended March 31, 2012 for a reconciliation of EBITDAR to operating income (loss).

Air Canada does not intend to regularly provide preliminary results for future periods in respect of EBITDAR and cash and short-term investments.

Transitional Arrangements

Following the closure of Aveos, on a transitional basis, Air Canada has identified qualified and government-approved alternate suppliers of aircraft maintenance to undertake work that was originally scheduled to be performed by Aveos, consistent with the high safety, quality and reliability standards of Air Canada's maintenance programs. Since the Aveos closure, the airline has sent several aircraft to both Canadian and international maintenance providers.

In addition to aircraft maintenance, Air Canada requires alternate solutions for its engines and aircraft components maintenance as well as the provision of various maintenance support services. Air Canada is already working with a network of approximately forty Canadian suppliers as well as additional international suppliers and this network will continue to grow over the coming months.

Long-Term Arrangements

The airline has been undertaking a Request For Proposal process with respect to longer term maintenance work previously performed by Aveos. Air Canada intends to obtain proposals from maintenance suppliers with globally competitive cost structures (including some of those identified through the Aveos CCAA divestiture process) with preference given to those that have or will establish some portion of their operation in Montreal, Winnipeg, Vancouver and Toronto employing the skills of Canadian aviation technicians, to achieve viable competitive long term arrangements.

Quebec Government Legal Action against Air Canada

On April 16, 2012, the Quebec Government filed a motion in Quebec Superior Court requesting a declaratory ruling that Air Canada was not compliant with the Air Canada Public Participation Act (ACPPA) as a result of the Aveos closure. Air Canada continues to be in full compliance with the letter and spirit of the ACPPA, despite the closure of Aveos and the airline will vigorously defend its position. In May 2011, Mr. Justice Newbould of the Ontario Superior Court of Justice ruled on the issue of whether Air Canada was in compliance with the maintenance facility requirements of the Act following an application filed by the International Association of Machinists and Aerospace Workers. The court found that Air Canada was meeting the Act's requirements on more than one basis, including on the basis of its own overhaul and maintenance functions. In addition, a legal opinion issued by Justice Canada to the Ministry of Transport, Air Canada's regulator, dated March 29, 2012, advised that Air Canada remained compliant with the ACPPA irrespective of the Aveos closure.

For further information on Air Canada's public disclosure file, including Air Canada's Annual Information Form dated March 29, 2012, consult SEDAR at www.sedar.com.

(1) Non-GAAP Measure

EBITDAR (earnings before interest, taxes, depreciation and amortization, and aircraft rent) is not a recognized measure under Canadian GAAP and does not have a standardized meaning. EBITDAR is commonly used in the airline industry and is used by Air Canada to assess earnings before interest, taxes, depreciation, amortization and impairment, and aircraft rent, as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets. However, while this calculation is commonly used in the airline industry, Air Canada's calculation of EBITDAR may not be comparable to similar calculations presented by other companies. EBITDAR should not be considered in isolation or as a substitute for measures prepared in accordance with Canadian GAAP.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This press 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 preliminary results, guidance, strategies, expectations, planned operations or future actions. Forward-looking statements are identified by the use of 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 herein 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 this news release and those identified in section 18 "Risk Factors" of Air Canada's 2011 MD&A dated February 9, 2012. 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 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 as a result of new information, future events or otherwise, except as required under applicable securities regulations.