



AIR CANADA

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Air Canada Comments on Aveos Notice of Closure

MONTREAL, March 20, 2012 /CNW Telbec/ - Air Canada today expressed disappointment at Aveos Fleet Performance Inc.'s (Aveos) decision to reject its offer of \$15 million in emergency financing and instead permanently cease operations. If accepted, the \$15 million Debtor-in-Possession (DIP) financing could have assisted in stabilizing Aveos for the benefit of its employees and stakeholders and supported an orderly restructuring. This stabilization would have permitted Aveos to reopen certain of its facilities and recall certain of its employees, which would have in turn allowed Air Canada to provide additional maintenance work to Aveos.

To ensure Air Canada's customers are not inconvenienced and are able to continue traveling and booking Air Canada with confidence, the airline will be activating its contingency plan. This will ensure that maintenance work continues in full compliance with all regulatory requirements and is consistent with the high standards of Air Canada's maintenance programs.

Air Canada believes that Aveos has failed to act in the interests of its employees, customers and other stakeholders by abruptly abandoning its business while other viable options to closure were available. Management at Aveos has failed repeatedly to attract new business to expand and diversify its revenue stream. By its own admission in court filings, the company is not cost competitive and has suffered operating losses for several years.

Aveos claims that Air Canada has withheld or directed elsewhere maintenance work it should have properly received. Since the beginning of 2011, Air Canada has undertaken 135 airframe checks and Aveos performed 123, or 91 per cent of them. As well, Aveos performed 52 of 56, or 93 per cent, of engine checks performed for Air Canada. Work was sent to third parties only when Aveos was unable to perform it and only in accordance with the terms of the commercial agreements between the parties and the applicable collective agreements.

Contrary to Aveos's court filings and public statements, Air Canada has been very supportive of Aveos and has provided financial and other assistance to the company. Among other things, Air Canada:

- Participated in the 2010 out-of-court restructuring through a \$22 million term note, that among other things allowed Aveos to defer payments without interest penalty when its cash reserve fell below a prescribed level.
- Committed up to \$50 million to reimburse Aveos for airframe operating losses as part of the 2010 restructuring.
- Paid or advanced approximately \$9 million on March 15, 2012 in respect of various invoices including invoices in dispute.
- Offered Aveos on several occasions financing support to permit an orderly restructuring and allow it to remain in business, including most recently the \$15 million DIP financing.

Net amounts owing by Aveos to Air Canada to date are in excess of \$35 million.

About Air Canada and Aveos

Air Canada and Aveos are two separate entities. AirCanada sold its technical services division in 2004. This company was then sold to a consortium of private investors in 2007 and subsequently changed its name to Aveos in 2008.

The Aveos workforce is independent from Air Canada and is covered by a separate collective agreement.

Visit [aircanada.com](http://www.aircanada.com) for more information about Air Canada's maintenance operations:

<http://www.aircanada.com/en/about/media/facts/industry/maintenance.html>

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. 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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