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Air Canada Comments on Aveos Restructuring Report

MONTREAL, July 26, 2012 /CNW Telbec/ - AirCanada today provided comments on the fifth report of the Chief Restructuring Officer (CRO) of Aveos dated July 25, 2012. The CRO's latest report provides an update following an agreement reached May 30, 2012 between Aveos and Air Canada in which the airline agreed to arrangements with Aveos to assist the maintenance, repair and overhaul (MRO) firm to find potential purchasers for certain of its divisions.

Following the decision by Aveos in March 2012 to close its facilities in Canada, Aveos proceeded with a court supervised divestiture process of its three primary business divisions in Canada: airframe, engine and component maintenance. Reports by the CRO of Aveos during this process can be found on the website of the court-appointed monitor of Aveos, FTI Consulting:

<http://cfcanda.fticonsulting.com/aveos/>

Components Maintenance

In his July 25th report, the CRO of Aveos advised that Aveos has received offers for the sale of all or certain assets of its components maintenance division and discussions are ongoing. Air Canada continues to work diligently through an RFP process to secure an experienced, cost competitive MRO supplier for its components requirements and is updating the CRO on the status of bids on an ongoing basis.

Engine Maintenance

The CRO of Aveos also reported on July 25 that despite the concerted efforts undertaken by Aveos, there were no offers received from parties willing to buy or restart its engine maintenance business as a going concern and resume operations at its facility.

As stipulated in the May 30th agreement between Aveos and AirCanada, both parties entered into an exclusive contract until 2018 for engine maintenance at current market rates of certain engine types used by Air Canada. The new contract would become effective upon assignment by Aveos to a purchaser that is among five parties identified by Air Canada to be equally acceptable in terms of operational requirements. Air Canada remains confident in the suitability of all five downselected engine MROs to meet its engine maintenance requirements and the selection and awarding of the engine maintenance contract is entirely at the discretion of the CRO of Aveos. In a letter dated July 12, 2012 to the CRO, AirCanada reiterated its preference to see the contract awarded to a supplier who will perform the services in Canada. "As we continue to favour the selection of an engine MRO capable of performing engine work in Canada, we urge you to weigh this aspect heavily (which includes the potential for job creation) as you award the contract," wrote Alan Butterfield, Air Canada Vice President, Maintenance and Engineering.

Airframe Maintenance

As reported by the CRO of Aveos in his report of June 26th, discussions with various North American and global airframe MROs "revealed that there was no party who was prepared to entertain a restart option." Consequently, Air Canada proceeded with a request for proposal (RFP) process to select airframe MRO providers that meet the airline's safety, reliability and performance standards in compliance with Transport Canada requirements. On that basis, AirCanada is concluding terms with the following MRO providers to perform scheduled airframe maintenance on its fleet of 205 aircraft:

- Premier Aviation Overhaul Center Inc. located in Trois-Rivieres, QC, and Embraer Aircraft Maintenance Services, Inc. (EAMS) located in Nashville, TN for its Embraer fleet.
- AAR Corp. based in Wood Dale, IL, for its Airbus narrowbody fleet (Airbus A319, A320 and A321 aircraft).
- Israel Aerospace Industries' Bedek Aviation Group for its Boeing 767-300ER fleet.
- Singapore-based ST Aviation Services Co. Pte. Ltd. (SASCO) for its fleets of Boeing 777 and Airbus A330-300 aircraft.

The terms and conditions of commercial agreements between Air Canada and its suppliers are confidential.

About Air Canada and Aveos

The closure of Aveos's MRO facilities in Canada has no impact on Air Canada's day-to-day aircraft maintenance and repair activities. The airline's day-to-day maintenance work is performed directly by Air Canada at its own facilities across Canada -

including Montreal, Winnipeg, Vancouver and Toronto - by Air Canada's 2,300 maintenance employees.

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.

Air Canada is Canada's largest domestic and international airline serving more than 175 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 59 Canadian cities, 56 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 1,356 destinations in 193 countries. In 2012, 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.

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