AIR CANADA

News Releases

Air Canada Provides First Quarter Preliminary Results and Updated Full Year 2013 Guidance

MONTREAL, April 22, 2013 /CNW Telbec/ - Air Canada today provided preliminary results for the first quarter of 2013:

- Adjusted net loss of approximately $143 million versus an adjusted net loss of $162 million in the first quarter of 2012
- Net loss of approximately $260 million versus a net loss of $274 million in the first quarter of 2012
- Operating loss of approximately $106 million versus an operating loss of $91 million in the first quarter of 2012
- EBITDAR (earnings before interest, taxes, depreciation, amortization and impairment, and aircraft rent) of approximately $145 million versus $174 million in the first quarter of 2012

Air Canada is issuing this news release pursuant to its obligations under applicable Canadian securities laws to enable it to disclose this information in meetings as it explores a range of debt financing opportunities. Air Canada does not intend to continue to provide preliminary results or to provide guidance for future periods in respect of RASM, EBITDAR, operating income, net income, adjusted net income and adjusted net debt.

In the first quarter of 2013, Air Canada's financial results were negatively impacted by an estimated $10 million due to flight cancellations caused by severe weather conditions and operational challenges at the airline's major Canadian airport hubs, as well as aircraft deicing service delays at Toronto Pearson International Airport. A higher proportion of leisure passengers versus business passengers, in part due to a shift of the Easter holiday, and an unfavourable foreign currency impact on passenger revenues also contributed to the lower operating results year-over-year. In addition, Air Canada expects to record an impairment charge of $24 million related to Airbus A340-300 aircraft (none of which are operated by Air Canada) which is reflected in Air Canada's preliminary operating loss and net loss results.

Air Canada estimates that its passenger revenue per available seat mile ("RASM") in the first quarter of 2013, on a system-wide basis, increased by approximately 1.1 per cent as compared to the first quarter of 2012, due to passenger load factor improvements partly offset by lower yields. Air Canada also estimates that, in the first quarter of 2013, its adjusted cost per available seat mile ("adjusted CASM"), which excludes fuel expense, the cost of ground packages at Air Canada Vacations and unusual items (such as impairment charges) increased approximately 1.4 per cent compared to the first quarter of 2012, a more favourable outcome than the range of the 3 to 4 per cent increase previously projected in its February 7, 2013 news release. The result was better than forecasted due largely to Air Canada having recorded favourable accrual adjustments of $15 million which had not been previously projected, and to timing of certain maintenance events.

Adjusted net debt is estimated to be $3,987 million at March 31, 2013, a decrease of $246 million from March 31, 2012, with cash and short-term investments estimated to represent 17 per cent of 12-month trailing operating revenues at the end of the first quarter of 2013.

Air Canada's system capacity, as measured by available seat miles ("ASMs"), in the first quarter of 2013 was 1.1 per cent lower than the first quarter of 2012, within the range of the 0 to 1.5 per cent decrease previously projected in its February 7, 2013 news release.

All figures reported above with respect to the first quarter of 2013 are preliminary, have not been reviewed by Air Canada's auditors and are subject to change as Air Canada's first quarter 2013 financial results are finalized. The outlook and preliminary estimates provided in this news release 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".

Current Outlook

Air Canada continues to expect full year 2013 system ASM capacity to increase in the range of 1.5 to 2.5 per cent when compared to the full year 2012. Air Canada also continues to expect its full year 2013 domestic capacity to increase in the range of 0.5 to 1.5 per cent from the full year 2012. Taking into account the better than expected adjusted CASM result in the first quarter of 2013, Air Canada now expects its full year 2013 adjusted CASM to decrease in the range of 0.5 to 1.5 per cent from the full year 2012 (as opposed to the 0 to 1.0 per cent decrease projected in Air Canada's February 7, 2013 news release).

Air Canada's above-mentioned outlook assumes Canadian GDP growth of 1.25 to 1.75 per cent for 2013. In addition, Air Canada expects that the Canadian dollar will trade, on average, at C$1.02 per U.S. dollar for the full year 2013 and that the price of jet fuel will average 86 cents per litre for the full year 2013.

The following table summarizes Air Canada's above-mentioned outlook for the full year 2013 and related major assumptions:

Current Outlook	**Full Year 2013 versus Full Year 2012**
Available seat miles (System)	Increase 1.5% to 2.5%
Available seat miles (Canada)	Increase 0.5% to 1.5%
Adjusted CASM [1]	Decrease 0.5% to 1.5%

[1] Excludes fuel expense, the cost of ground packages at Air Canada Vacations and unusual items (such as impairment charges).

Major Assumptions	**Major Assumptions - Full Year 2013**
Canadian dollar per U.S. dollar	1.02
Jet fuel price - CAD cents per litre	86 cents
Canadian economy	Canadian GDP growth of 1.25% to 1.75%

For the full year 2013, Air Canada also currently expects:

- Depreciation, amortization and impairment expense to decrease by approximately $115 million from the full year 2012 (including the impairment charge of $24 million to be recorded in the first quarter of 2013), $15 million less than what was projected in Air Canada's February 7, 2013 news release, largely the result of the A340-300 related impairment charge of $24 million which had not been previously projected.

- Employee benefits expense to increase by approximately $70 million from the full year 2012. Refer to section 14 of Air Canada's 2012 MD&A dated February 7, 2013 for important disclosures on changes to accounting for employee benefits effective January 1, 2013.

- Aircraft maintenance expense to be essentially unchanged from the full year 2012 level (including the impact of the favourable maintenance return provision adjustment of $32 million recorded in the fourth quarter of 2012), at the lowest point on the range of the 0 to 5 per cent increase projected in Air Canada's February 7, 2013 news release, largely the result of Air Canada having recorded favourable accrual adjustments of $15 million which had not been previously projected, and to timing of certain maintenance events.

The following table summarizes the above-mentioned projections for the full year 2013:

	Full Year 2013 versus Full Year 2012
Depreciation, amortization and impairment expense	Decrease by approximately $115 million
Employee benefits expense	Increase by approximately $70 million
Aircraft maintenance expense	Unchanged from 2012

Non-GAAP Measures

Below is a description of certain non-GAAP measures used by Air Canada to provide additional information on its financial and operating performance. Such measures are not recognized measures for financial statement presentation under Canadian GAAP and do not have standardized meanings and may not be comparable to similar measures presented by other public companies. Readers should refer to Air Canada's 2012 MD&A for a reconciliation of non-GAAP financial measures.

- Adjusted net income (loss) is used by Air Canada to assess its performance without the effects of foreign exchange, net financing expense on employee benefits, mark-to-market adjustments on derivatives and other financial instruments recorded at fair value and unusual items.

- 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.

- Adjusted CASM is used by Air Canada to assess the operating performance of its ongoing airline business without the effects of fuel expense, the cost of ground packages at Air Canada Vacations and unusual items, such as impairment charges, as such expenses may distort the analysis of certain business trends and render comparative analyses to other airlines less meaningful.

- Adjusted net debt is a key component of the capital managed by Air Canada and provides a measure of the airline's net indebtedness. Adjusted net debt is calculated as the sum of total long-term debt and finance lease obligations and capitalized operating leases less cash and cash equivalents and short-term investments.

Air Canada's First Quarter 2013 unaudited Consolidated Financial Statements and Notes and its First Quarter 2013 Management's Discussion and Analysis (MD&A) will be available on Air Canada's website at **aircanada.com,** and will be filed on SEDAR at www.sedar.com on May 3, 2013.

For further information on Air Canada's public disclosure file, including Air Canada's Annual Information Form dated March 22, 2013, consult SEDAR at **www.sedar.com.**

Analyst Conference Call Advisory

Air Canada will host its quarterly analysts' call onMay 3, 2013 at 09:00 ET. Calin Rovinescu, President and Chief Executive Officer, Michael Rousseau, Executive Vice President and Chief Financial Officer, Ben Smith, Executive Vice President and Chief Commercial Officer, and Pierre Houle, Treasurer, will review Air Canada's first quarter 2013 financial results and will be available to answer questions from analysts and high yield bond holders.

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 2012 MD&A dated February 7, 2013. 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.

SOURCE: Air Canada

For further information:

Isabelle Arthur (Montréal) 514 422-5788
Peter Fitzpatrick (Toronto) 416 263-5576
Angela Mah (Vancouver) 604 270-5741

Internet : aircanada.com

A STAR ALLIANCE MEMBER