AIR CANADA

News Releases

Air Canada Reports First Quarter 2013 Results

- Adjusted net loss of $143 million versus an adjusted net loss of$162 million in the first quarter of 2012
- Net loss of $260 million versus a net loss of$274 million in the first quarter of 2012
- Operating loss of $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 $145 million versus $174 million in the first quarter of 2012

MONTREAL, May 3, 2013 /CNW Telbec/ - Consistent with the news release issued on April 22, 2013 disclosing preliminary results for the first quarter of 2013, Air Canada today reported an adjusted net loss of$143 million or $0.52 per diluted share compared to an adjusted net loss of $162 million or $0.58 per diluted share in the first quarter of 2012. On a GAAP basis, Air Canada's net loss was $260 million or $0.95 per diluted share compared to a net loss of $274 million or $0.99 per diluted share in the same quarter in 2012. First quarter EBITDAR amounted to $145 million compared to EBITDAR of $174 million in the first quarter of 2012.

"In the quarter we made progress towards the sustainable transformation of Air Canada by narrowing our net loss as compared to the previous year. In addition, we reached an important agreement with the Government of Canada on extending Air Canada's pension funding arrangements to January 30, 2021. This was then followed last week by the launch and pricing of a private offering of enhanced equipment trust certificates (EETCs) -- a first for a Canadian airline," said Calin Rovinescu, President and Chief Executive Officer.

"I would especially like to express our gratitude to the Government of Canada and certain provincial governments for implementing the so-called Cape Town Convention effective April 1, 2013, which helps level the playing field for Canadian airlines by facilitating their access to debt capital markets for financing their aircraft acquisitions on more favourable terms. Significant work over many years was undertaken by Government officials, in conjunction with our legal and finance teams, to permit adoption of the Cape Town Convention in the most optimal way, and I want to recognize these individuals for their outstanding work.

"While the first quarter's loss was narrowed compared to the previous year, the quarter fell short of our expectations, in part due to a decline in premium travel demand. We are encouraged to see an improvement in second quarter economy and premium class cabin booking trends which are running above last year's levels, although the yield environment remains challenging. We remain focused on executing on our plan to increase value for our stakeholders and to continue to reduce our cost structure with the upcoming deliveries of five additional Boeing 777 aircraft, the launch of our leisure carrier Air Canada *rouge*, the transfer of Embraer 175 regional aircraft to Sky Regional, and the development of our international network with Toronto Pearson as its North American gateway airport. Along with ongoing initiatives for revenue generation and cost control, we are confident of continued improvements and a successful performance for the year ahead. I thank our 27,000 employees for their commitment to taking care of our customers and their dedication to helping ensure Air Canada's long term success."

First Quarter Income Statement Highlights

First quarter 2013 system passenger revenues were $2.527 billion, an increase of $3 million, on a 1.1 per cent growth in traffic and a 1.1 per cent decline in yield. Passenger revenue per available seat mile (RASM) increased 1.1 per cent from the first quarter of 2012 on a 1.8 percentage point improvement in passenger load factor. Air Canada reported a record passenger load factor of 81.0% for the first quarter of 2013, reflecting an effective approach to capacity management. The overall yield decline versus last year's quarter was due to a number of factors including: relatively more leisure versus business passengers in part due to a shift of the Easter holiday from the first week of April in 2012 to the last week of March in 2013, flight cancellations due to severe weather and de-icing service delays at Toronto Pearson International airport which adversely impacted business travel demand, increased industry capacity and competitive pricing activities in certain markets, an unfavourable foreign currency impact, and having one less calendar day in February 2013 than in February 2012 on account of the leap year. In the premium class cabin, passenger revenues decreased $38 million or 6.7 per cent on an 8.4 per cent decline in traffic, partly offset by a yield improvement of 1.8 per cent.

Operating expenses increased $6 million from the first quarter of 2012, reflecting decreases in all major line categories with the exception of wages, salaries and benefits, capacity purchase agreements and the category of "other" operating expenses. In the first quarter of 2013, Air Canada recorded a non-cash impairment charge of$24 million related to Airbus A340-300 aircraft (none of which are operated by Air Canada) in depreciation, amortization and impairment expense.

Air Canada's 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 1.4 per cent compared to the first quarter of 2012.

In the first quarter 2013, Air Canada recorded an operating loss of$106 million compared to an operating loss of$91 million in the same quarter in 2012, a deterioration of $15 million. The deterioration in Air Canada's operating results was in large part due to flight cancellations caused by severe weather conditions and aircraft deicing service delays at Toronto Pearson International Airport. Air Canada estimates that these events resulted in a $10 million unfavourable net impact on its financial results in the first quarter of 2013.

Liquidity Highlights

At March 31, 2013, cash and short-term investments amounted to$2,056 million, or 17 per cent of 12-month trailing revenues (March 31, 2012 - $2,185 million, or 18 per cent of 12-month trailing revenues).

At March 31, 2013, adjusted net debt of$3,987 million decreased $246 million from March 31, 2012, reflecting the impact of lower debt balances, a decrease in capitalized operating leases, partially offset by a decrease in cash balances.

Free cash flow of $147 million increased $7 million from the first quarter of 2012.

Current Outlook

In the second quarter of 2013, Air Canada expects its system ASM capacity, as measured by available seat miles (ASMs), to increase in the range of 2.0 to 3.0 per cent when compared to the second quarter of 2012.

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.

For the second quarter of 2013, Air Canada expects adjusted CASM to be in the range of a decrease of 0.5 per cent to an increase of 0.5 per cent when compared to the second quarter of 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.

Air Canada's 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 second quarter of 2013 and for the full year 2013 and that the price of jet fuel will average 85 cents per litre in the second quarter of 2013 and 86 cents per litre for the full year 2013.

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

	Second Quarter 2013 versus Second Quarter 2012	**Full Year 2013 versus Full Year 2012**
Current Outlook		
Available seat miles (System)	Increase 2.0% to 3.0%	Increase 1.5% to 2.5%
Available seat miles (Canada)	n/a	Increase 0.5% to 1.5%
Adjusted CASM [(1)]	Decrease 0.5% to an increase of 0.5%	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 - Second Quarter 2013	**Major Assumptions - Full Year 2013**
Major Assumptions		
Canadian dollar per U.S. dollar	1.02	1.02
Jet fuel price - CAD cents per	85 cents	

litre		86 cents
Canadian economy	2013 Annualized Canadian GDP growth of 1.25% to 1.75%	Canadian GDP growth of 1.25% to 1.75%

For the full year 2013, Air Canada also expects:

- Depreciation, amortization and impairment expense to decrease by $115 million from the full year 2012.

- Employee benefits expense to increase by $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).

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 $115 million
Employee benefits expense	Increase $70 million
Aircraft maintenance expense	Unchanged from 2012

The financial and operating results presented in this news release are in line with those preliminary results disclosed in Air Canada's April 22, 2013 news release.

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 First Quarter 2013 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.

- Free cash flow is used by Air Canada as an indicator of the financial strength and performance of its business because it shows how much cash is available for such purposes as repaying debt, meeting ongoing financial obligations and reinvesting in Air Canada.

- 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) are available on Air Canada's website at aircanada.com**,** and will be filed on SEDAR at www.sedar.com.

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 today,May 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.

Dial 416-695-9706 or 1-866-225-0198 or listen through our live audio webcast at http://bell.media-server.com/m/p/n8ftq3yd

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 and in section 13 of Air Canada's First Quarter 2013 MD&A dated May 3, 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.

HIGHLIGHTS

The financial and operating highlights for Air Canada for the periods indicated are as follows.

	First Quarter		
(Canadian dollars in millions, except where indicated)	**2013**	**2012**	**Change $**
Financial Performance Metrics			
Operating revenues	2,952	2,961	(9)
Operating loss	(106)	(91)	(15)
Non-operating expense	(154)	(128)	(26)
Loss before income taxes and discontinued operations	(260)	(219)	(41)
Net loss from continuing operations	(260)	(219)	(41)
Net loss from discontinued operations - Aveos	-	(55)	55
Net loss	(260)	(274)	14
Adjusted net loss (1)	(143)	(162)	19
Operating margin %	(3.6)%	(3.1)%	(0.5) pp
EBITDAR (2)	145	174	(29)
EBITDAR margin % (2)	4.9%	5.8%	(1.0) pp
Cash, cash equivalents and short-term investments	2,056	2,185	(129)
Free cash flow (3)	147	140	7
Adjusted net debt (4)	3,987	4,233	(246)
Net loss per share - basic and diluted	$ (0.95)	$ (0.99)	$ 0.04
Adjusted net loss per share - diluted (1)	$ (0.52)	$ (0.58)	$ 0.06
Operating Statistics (5)			**Change %**
Revenue passenger miles (millions) (RPM)	13,087	12,946	1.1
Available seat miles (millions) (ASM)	16,164	16,344	(1.1)
Passenger load factor %	81.0%	79.2%	1.8 pp
Passenger revenue per RPM ("Yield") (cents)	19.0	19.2	(1.1)
Passenger revenue per ASM ("RASM") (cents)	15.4	15.2	1.1

Operating revenue per ASM (cents)	18.3	18.1	0.8
Operating expense per ASM ("CASM") (cents)	18.9	18.7	1.3
Adjusted CASM (cents) (6)	12.5	12.3	1.4
Average number of full-time equivalent (FTE) employees (thousands) (7)	24.5	24.0	2.2
Aircraft in operating fleet at period end	350	352	(0.6)
Average fleet utilization (hours per day)	10.0	9.9	1.1
Aircraft frequencies (thousands)	134	135	(0.9)
Average aircraft flight length (miles)	826	832	(0.6)
Economic fuel cost per litre (cents) (8)	92.4	91.7	0.8
Fuel litres (millions)	953	977	(2.5)
Revenue passengers carried (millions) (9)	8.5	8.3	1.8

(1) Adjusted net income (loss) and adjusted net income (loss) per share - diluted are non-GAAP financial measures. Refer to section15 "Non-GAAP Financial Measures" of Air Canada's First Quarter 2013 MD&A for additional information.

(2) EBITDAR (earnings before interest, taxes, depreciation, amortization and impairment, and aircraft rent) is a non-GAAP financial measure. Refer to section15 "Non-GAAP Financial Measures" of Air Canada's First Quarter 2013 MD&A for additional information.

(3) Free cash flow (cash flows from operating activities less additions to property, equipment and intangible assets) is a non-GAAP financial measure. Refer to section 6.5 of Air Canada's First Quarter 2013 MD&A for additional information.

(4) Adjusted net debt (total debt less cash, cash equivalents and short-term investments plus capitalized operating leases) is a non-GAAP financial measure. Refer to section 6.3 of Air Canada's First Quarter 2013 MD&A for additional information.

(5) Operating statistics (except for average number of FTE employees) include third party carriers (such as Jazz Aviation LP ("Jazz")) operating under capacity purchase agreements with Air Canada.

(6) Adjusted CASM is a non-GAAP financial measure. Refer to section 15 "Non-GAAP Financial Measures" of Air Canada's First Quarter 2013 MD&A for additional information.

(7) Reflects FTE employees at Air Canada. Excludes FTE employees at third party carriers (such as Jazz) operating under capacity purchase agreements with Air Canada.

(8) Includes fuel handling expenses. Economic fuel price per litre is a non-GAAP financial measure. Refer to section 4 of Air Canada's First Quarter 2013 MD&A for additional information.

(9) Revenue passengers are counted on a flight number basis which is consistent with the IATA definition of revenue passengers carried.

SOURCE: Air Canada

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