AIR CANADA

News Releases

Air Canada Executives Present at Investor Day Conference and Provide an Update on Guidance

MONTREAL, June 10, 2013 /CNW Telbec/ - Air Canada will discuss its plans for pursuing sustainable improvement in profitability and shareholder value at its 2013 Investor Day to be held today in Toronto from 08:30 to 12:30 EST. A live, listen-only audio webcast of the event will be available through a link on Air Canada's website at www.aircanada.com (Investors section), along with accompanying presentation slides.

Air Canada reported 2012 EBITDAR (earnings before interest, taxes, depreciation, amortization and impairment, and aircraft rent), excluding benefit plan amendments, of $1.3 billion and adjusted net income of $55 million and the price of its common shares increased by 76 per cent over that year. It is management's plan to continue improving on these results.

"Our focus will remain on the execution of our strategic priorities to continue to transform Air Canada into a sustainably profitable airline," said Calin Rovinescu, President and Chief Executive Officer. "We continue to reduce costs, develop new sources of revenue, reduce indebtedness and improve the customer experience while adapting to the competitive environment. We have confidence our financial plan can earn a return on invested capital that exceeds its weighted average cost of capital and reward shareholders far into the future."

Key points to be covered at the conference include Air Canada's:

- On-going plans to enhance its margins and improve its competitive position through the execution of a number of strategic initiatives and actions designed to lower its cost structure, improve its balance sheet and increase the return on invested capital.

- Existing plans and initiatives which would be expected, over the medium term, to lower Air Canada's cost per available seat mile ("CASM") by up to approximately 15 per cent. The initiatives include plans relating to the growth of Air Canada *rouge*™, the scheduled arrival of Boeing 787 aircraft to replace less efficient Boeing 767 aircraft, the introduction of higher density Boeing 777-300ER aircraft, the transfer of Embraer 175 aircraft to a lower cost regional provider, new maintenance arrangements, and other on-going and planned initiatives.

- On-going commitment to improve its balance sheet and to attain a return on invested capital that exceeds its weighted average cost of capital by 2015. The airline is also targeting to maintain its existing adjusted net debt/trailing 12-month normalized EBITDAR leverage ratio below 3.5 for 2013 and over the medium term.

- Concrete steps taken to reduce the pension solvency deficit in its registered pension plans. Given pension plan changes (subject to regulatory approval) which will permanently reduce solvency liabilities (estimated at $1.1 billion based on 2012 valuations) and assuming new funding relief regulations pursuant to the agreement reached with the Government of Canada are adopted, plausible conditions (discount rate increasing to 3.3 per cent, return on assets of 6.7 per cent) could have the solvency deficit eliminated no later than 2020.

Attendance at this event is by invitation only.

Current Outlook

For the second quarter of 2013, Air Canada continues to expect 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 expects its 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 expects its full year 2013 domestic capacity to increase in the range of 1.5 to 2.5 per cent from the full year 2012 (as opposed to the increase of 0.5 to 1.5 per cent projected in Air Canada's news release dated May 3, 2013). The increase in projected domestic capacity is due to schedule changes.

For the second quarter of 2013, Air Canada expects adjusted CASM to decrease 0.5 to 1.5 per cent when compared to the second quarter of 2012 (as opposed to the range of a decrease of 0.5 per cent to an increase of 0.5 per cent projected in Air Canada's news release dated May 3, 2013). The improved CASM projection is largely due to expected cost saving benefits from tactical initiatives.

Air Canada 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.

In addition, Air Canada plans to increase its full year 2014 system capacity by 9.0 to 11.0 per cent when compared to the full year 2013. This projected increase in capacity is consistent with the fleet plan discussed in Air Canada's First Quarter 2013 MD&A and is largely due to the addition of five high-density Boeing 777-300ER aircraft scheduled for delivery between June 2013 and February 2014, the scheduled arrival in 2014 of the first seven Boeing 787 aircraft and the planned growth from Air Canada *rouge*™.

Air Canada's outlook assumes Canadian GDP growth of 1.25 to 1.75 per cent for 2013 and Canadian GDP growth of 2.0 to 3.0 per cent for 2014.

Air Canada also expects that the Canadian dollar will trade, on average, at C$1.03 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 84 cents per litre in the second quarter of 2013 and 85 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 1.5% to 2.5%
Adjusted CASM [1]	Decrease 0.5% to 1.5%	Decrease 0.5% to 1.5%

[1] *Excludes fuel expense, the cost of ground packages at Air Canada Vacations and unusual items*

	Major Assumptions - Second Quarter 2013	**Major Assumptions - Full Year 2013**
Major Assumptions		
Canadian dollar per U.S. dollar	1.03	1.03
Jet fuel price - CAD cents per litre	84 cents	85 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 decrease by $40 million from the full year 2012 level (as opposed to what was disclosed in Air Canada's news release dated May 3, 2013 which projected aircraft maintenance expense to be essentially unchanged from the 2012 level). The improved projection is primarily due to expected cost saving benefits from tactical initiatives.

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	Decrease $40 million

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. Refer to Air Canada's 2012 MD&A and news releases dated February 7, 2013 and Air Canada's First Quarter 2013 MD&A and news release dated May 3, 2013 for additional information, including reconciliation to GAAP 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.

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.

SOURCE: Air Canada

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