



AIR CANADA

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Air Canada announces second quarter preliminary results and updated full year 2010 guidance

MONTREAL, July 20 /CNW Telbec/ - Air Canada today announced preliminary results for the second quarter of 2010 in respect of system capacity, as measured in available seat miles (ASM or ASMs), and unit cost, as measured by operating expense per available seat mile (CASM) excluding fuel. Air Canada also announced preliminary results for the second quarter of 2010 in respect of revenue per available seat mile (RASM), earnings before interest, taxes, depreciation, amortization and aircraft rent (EBITDAR) and operating income. Air Canada does not intend to continue to provide preliminary results or to provide guidance for future periods in respect of RASM, EBITDAR and operating income.

Air Canada also provided an update to its CASM, excluding fuel, and ASM outlook for the full year 2010 previously projected with the release of its first quarter 2010 results on May 6, 2010 (the Q1 2010 Release).

The Company estimates that its system capacity, as measured by ASMs, in the second quarter of 2010 was 5.3 per cent higher than the second quarter of 2009, within the range of the 4.5 to 5.5 per cent increase previously projected in the Q1 2010 Release. For the full year 2010, Air Canada now expects its system capacity to increase by between 6 and 7.5 per cent over 2009 rather than the previously projected increase of 4 to 6 per cent disclosed in the Q1 2010 Release. An expected increase in international flying constitutes the primary factor for the amended full year 2010 ASM outlook. Full year 2010 domestic capacity is now expected to increase up to 1 per cent (as opposed to the full year 2010 domestic capacity increase of up to 1.5 per cent projected in the Q1 2010 Release) compared to the full year 2009.

The Company estimates that its unit cost, as measured by CASM, in the second quarter of 2010, excluding fuel, decreased approximately 4.2 per cent compared to the second quarter of 2009. This decrease in CASM, excluding fuel, is higher than the range of the 1.5 to 2.5 per cent decline previously projected in the Q1 2010 Release. The improvement is primarily the result of a reduction and deferral of maintenance expenses into later periods and reversals of capital tax accruals relating to prior years. For the full year 2010, Air Canada now expects CASM, excluding fuel, to decline between 3.5 and 4.5 per cent as compared to the full year 2009. This is higher than the range of a 2 to 4 per cent decline projected in the Q1 2010 Release, primarily due to the expected increase in system capacity.

Air Canada estimates that its RASM in the second quarter of 2010, on a system-wide basis, increased by approximately 6.6 per cent as compared to the second quarter of 2009, with both yield and load factor increases contributing to the overall improvement. The Company estimates that the stronger Canadian dollar in the second quarter of 2010 as compared to the second quarter of 2009 reduced the RASM improvement by approximately 4.7 percentage points, the result of approximately 30 per cent of second quarter 2010 passenger revenues being foreign currency denominated.

As a result, the Company estimates that its EBITDAR for the second quarter of 2010 was in the range of \$320 million to \$340 million, significantly above the \$135 million realized in the second quarter of 2009.

The company also estimates that its operating income for the second quarter of 2010 was in the range of \$60 million to \$80 million and that its ownership costs, comprised of depreciation and amortization and aircraft rent expense, was approximately \$260 million.

EBITDAR (earnings before interest, taxes, depreciation and amortization, and aircraft rent) is not a recognized measure under Canadian GAAP and does not have a standardized meaning. EBITDAR is commonly used in the airline industry to view operating results before depreciation and amortization and aircraft rent, as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets. However, while this calculation is commonly used in the airline industry, Air Canada's calculation of EBITDAR may not be comparable to similar calculations presented by other companies. EBITDAR should not be considered in isolation or as a substitute for measures prepared in accordance with Canadian GAAP.

In the second quarter of 2010, the Canadian dollar, on average, traded at approximately \$1.03 per US dollar and the price of fuel averaged 71 cents per litre (net of fuel hedging positions).

All figures reported above with respect to the second quarter of 2010 are preliminary, have not been reviewed by Air Canada's auditors and are subject to change as Air Canada's second quarter 2010 financial results are finalized. The full year 2010 outlook

with respect to ASM and CASM, excluding fuel, also assumes that the Canadian dollar, on average, will trade at \$1.04 per US dollar and that the price of fuel will average 69 cents per litre (net of fuel hedging positions) over the full year 2010, and that the North American economy will continue to slowly recover in 2010. The outlook and preliminary estimates provided 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."

Air Canada's interim unaudited consolidated financial statements and the notes thereto and the related management's discussion and analysis of results and financial condition for the three months and six months ended June 30, 2010 are expected to be available on Air Canada's website at www.aircanada.com and are expected to be filed on SEDAR at www.sedar.com, in each case on August 5, 2010. Readers should refer to Air Canada's management's discussion and analysis of results and financial condition for the three months and six months ended June 30, 2010 for a reconciliation of EBITDAR to operating income (loss).

Air Canada is issuing this press release pursuant to its obligations under applicable Canadian securities law.

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, currency exchange and interest rates, employee and labour relations, competition, war, terrorist acts, epidemic diseases, environmental factors (including weather systems and other natural phenomena, such as volcanic eruptions, 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 First Quarter 2010 MD&A and, in particular, those identified in section 12 "Risk Factors" of Air Canada's First Quarter 2010 MD&A and section 19 "Risk Factors" of Air Canada's 2009 MD&A. The forward-looking statements contained in this news release represent Air Canada's expectations as of the 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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