AIR CANADA

News Releases

Air Canada Reports 2017 Annual Results

- Operating income of $1.364 billion and record EBITDAR of $2.921 billion
- Record operating revenues of $16.252 billion
- Leverage ratio of 2.1 and unrestricted liquidity of $4.181 billion

MONTRÉAL, Feb. 16, 2018 /CNW Telbec/ - Air Canada today reported record full year 2017 EBITDAR[1] (earnings before interest, taxes, depreciation, amortization, impairment and aircraft rent) of $2.921 billion compared to the previous record full year 2016 EBITDAR of $2.768 billion, an increase of $153 million. Air Canada reported 2017 operating income of $1.364 billion compared to 2016 operating income of $1.345 billion. Adjusted pre-tax income[1] amounted to $1.158 billion in 2017 compared to adjusted pre-tax income of $1.148 billion in 2016. On a GAAP basis, the airline reported record income before income taxes of $1.279 billion in 2017 compared to income before income taxes of $877 million in 2016.

Special items are excluded from Air Canada's reported EBITDAR calculations. See below for a description of the special items recorded in 2017 and 2016.

"Our strong 2017 results underscore the effectiveness of our transformation strategy, as well as the success of our global expansion and the power of our comprehensive network. We profitably expanded our global network with 30 new routes launched, and carried a record 48 million customers, while maintaining our focus on cost discipline and continuing to improve margins. Our achievements were driven by the hard work and commitment of our 30,000 employees and I commend them for enthusiastically embracing positive change at Air Canada. I especially want to thank our colleagues from our various Operations branches who worked through extremely challenging and disruptive winter conditions over the holiday period, for their commitment and professionalism in bringing our customers safely to their destinations," said Calin Rovinescu, President and Chief Executive Officer.

"The extent of our transformation is evident in our continuing records for financial results. In 2017, we achieved our fifth consecutive year of record EBITDAR, passenger revenue climbed 10 per cent to a record $14.5 billion, and our unrestricted liquidity amounted to $4.2 billion at year-end. Our transformation has made Air Canada profitable while reducing risk in many areas, such as level of indebtedness and pension obligations, the twin pillars of long-term sustainability.

"We remain committed to meeting the key financial targets set during our September 2017 Investor Day. Beyond this, as we continue to capitalize on the momentum of our strategy and to further entrench cost discipline into our DNA, we have undertaken a new Cost Transformation Program intended to secure an additional $250 million in savings by the end of 2019," said Mr. Rovinescu.

"In 2018, our wide-body fleet renewal will be substantially completed as our mainline narrow-body replacement program accelerates. Along with new aircraft, we will keep investing in products and services, including our new loyalty program, technology to enrich the travel experience, and enhanced airport services and amenities. In 2017, we were recognized as "Best Airline in North America" by Skytrax and we intend to continue providing a superior product to our customers, whom I thank on behalf of all Air Canada employees for choosing to fly with us," concluded Mr. Rovinescu.

Full Year Income Statement Highlights

In 2017, on capacity growth of 11.6 per cent, record system passenger revenues of $14.471 billion increased $1.323 billion or 10.1 per cent from 2016. The increase in system passenger revenues was driven by traffic growth of 11.3 per cent partly offset by a yield decline of 1.0 per cent. An increase in average stage length of 4.8 per cent had the effect of reducing system yield by 2.7 percentage points. On a stage-length adjusted basis, system yield increased 1.7 per cent year-over-year.

In the business cabin, system passenger revenues increased $334 million or 13.4 per cent from 2016 on traffic and yield growth of 9.8 per cent and 3.3 per cent, respectively.

In 2017, operating expenses of $14.888 billion increased $1.556 billion or 12 per cent from 2016, mainly driven by the increase in capacity and higher fuel prices year-over-year.

Air Canada's cost per available seat mile (CASM) increased 0.1 per cent from 2016. The airline's adjusted CASM[1] decreased 3.0

per cent from 2016, in line with the 3.0 to 4.0 per cent decrease projected in Air Canada's October 25, 2017 news release.

Air Canada recorded adjusted net income(1) of $1.142 billion or $4.11 per diluted share in 2017 compared to adjusted net income of $1.147 billion or $4.06 per diluted share in 2016. Starting as of and including the fourth quarter of 2017, adjusted net income is determined net of tax and includes the income tax effect of adjustments included in the measurement of adjusted net income. Prior to the fourth quarter of 2017, there was no deferred income tax expense recorded because of significant unrecognized deferred tax assets. A tax expense of $16 million affected fourth quarter and full year 2017 adjusted net income results. On a GAAP basis, the airline reported 2017 net income of $2.038 billion or $7.34 per diluted share compared to 2016 net income of $876 million or $3.10 per diluted share.

Fourth Quarter Income Statement Highlights

In the fourth quarter of 2017, on capacity growth of 9.5 per cent, record system passenger revenues of $3.381 billion increased $346 million or 11.4 per cent from the previous record in the fourth quarter of 2016. The increase in system passenger revenues was driven by traffic growth of 9.9 per cent and a yield improvement of 1.4 per cent. An increase in average stage length of 4.6 per cent had the effect of reducing system yield by 2.6 percentage points. On a stage-length adjusted basis, fourth quarter system yield increased 4.0 per cent year-over-year.

In the business cabin, system passenger revenues increased $96 million or 15.3 per cent from the fourth quarter of 2016 on traffic and yield growth of 8.2 per cent and 6.6 per cent, respectively.

In the fourth quarter of 2017, operating expenses of $3.687 billion increased $280 million or 8 per cent from the fourth quarter of 2016, mainly driven by the increase in capacity and higher fuel prices year-over-year.

Air Canada's cost per available seat mile (CASM) decreased 1.2 per cent from the fourth quarter of 2016. The airline's adjusted CASM(1) decreased 1.2 per cent from the fourth quarter of 2016, in line with the 0.5 to 1.5 per cent decrease projected in Air Canada's October 25, 2017 news release.

Air Canada reported record EBITDAR of $521 million in the fourth quarter of 2017 versus EBITDAR of $455 million in the fourth quarter of 2016. The airline reported a record fourth quarter EBITDAR margin of 13.6 per cent compared to an EBITDAR margin of 13.3 per cent in the fourth quarter of 2016. On a GAAP basis, the airline reported fourth quarter 2017 operating income of $133 million compared to fourth quarter 2016 operating income of $18 million.

Adjusted pre-tax income amounted to $77 million in the fourth quarter of 2017 compared to adjusted pre-tax income of $39 million in the fourth quarter of 2016. On a GAAP basis, the airline recorded income before income taxes of $20 million in the fourth quarter of 2017 compared to a loss before income taxes of $178 million in the fourth quarter of 2016.

In the fourth quarter of 2017, Air Canada recorded adjusted net income of $61 million or $0.22 per diluted share compared to adjusted net income of $38 million or $0.14 per diluted share in the same quarter in 2016. As mentioned above, starting as of and including the fourth quarter of 2017, adjusted net income is determined net of tax and includes the income tax effect of adjustments included in the measurement of adjusted net income. Prior to the fourth quarter of 2017, there was no deferred income tax expense recorded because of significant unrecognized deferred tax assets. A tax expense of $16 million affected fourth quarter and full year 2017 adjusted net income results. On a GAAP basis, Air Canada reported net income of $8 million or $0.02 per diluted share in the fourth quarter of 2017 compared to a net loss of $179 million or $0.66 per diluted share in the fourth quarter of 2016.

Special Items

In the first quarter of 2017, Air Canada recorded a provision of $30 million relating to a fine which was reinstated by a decision of the European Commission pertaining to cargo investigations. Air Canada paid the fine in the second quarter of 2017, pending the outcome of its appeal of the decision.

In the fourth quarter of 2016, Air Canada recorded a past service cost expense of $91 million to reflect the estimated cost of pension increases applicable to ACPA-represented pilots who participate in a defined benefit plan.

Financial and Capital Management Highlights

At December 31, 2017, unrestricted liquidity (cash, short-term investments and undrawn lines of credit) amounted to a record $4.181 billion (December 31, 2016 – $3.388 billion).

At December 31, 2017, total long-term debt and finance leases (including current portion) of $6.119 billion decreased $499 million from December 31, 2016. New borrowings of $733 million were more than offset by debt repayments of $808 million and the favourable impact of a stronger Canadian dollar of $402 million, as at December 31, 2017 compared to December 31, 2016, on Air Canada's foreign currency denominated debt (mainly U.S. dollars).

At December 31, 2017, adjusted net debt of $6.116 billion decreased $974 million from December 31, 2016, reflecting the impact of higher cash and short-term investment balances and the benefit of a stronger Canadian dollar on U.S. dollar denominated debt balances. At December 31, 2017, Air Canada's leverage ratio[(1)] improved to 2.1 versus 2.6 as at December 31, 2016.

Record net cash flows from operating activities of $2.738 billion improved $317 million compared to 2016. Record free cash flow[(1)] of $1.056 billion in 2017 was above the range of $600 million to $900 million projected in Air Canada's October 25, 2017 news release, mainly as a result of higher cash flows from operations. The free cash flow generated in 2017 also reflected an improvement of $1.205 billion from 2016 due to higher cash flows from operating activities and a reduced level of net capital expenditures year-over-year.

For the 12 months ended December 31, 2017, return on invested capital (ROIC[(1)]) was 13.9 per cent, in line with the 13.5 to 14.5 per cent ROIC projected in Air Canada's October 25, 2017 news release, and significantly higher than Air Canada's weighted average cost of capital of 7.6 per cent.

Current Outlook

In addition to reaffirming its EBITDAR margin, ROIC, free cash flow and leverage ratio targets set during its September 2017 Investor Day, Air Canada is providing the following guidance:

Full Year 2018 Free Cash Flow

Air Canada expects positive free cash flow in the range of $250 to $500 million in 2018. Air Canada is not planning any sale-leaseback transactions in 2018.

First Quarter and Full Year 2018 Adjusted CASM

For the first quarter of 2018, Air Canada expects adjusted CASM (which excludes fuel expense, the cost of ground packages at Air Canada Vacations and special items) to increase 2.0 to 3.0 per cent when compared to the first quarter of 2017.

For the full year 2018, Air Canada expects adjusted CASM to range between a decrease of 0.5 per cent to an increase of 1.5 per cent compared to the full year 2017. Approximately 0.75 percentage points of this range are driven by non-recurring costs for branding and new uniforms, customer service and technology investments, accelerated depreciation for Embraer 190 aircraft, and start-up costs of approximately $10 million related to Air Canada's new loyalty program scheduled to launch in 2020.

Full Year 2018 Depreciation, Amortization and Impairment Expense

Air Canada expects depreciation, amortization and impairment expense to increase by approximately $150 million from the full year 2017.

Full Year 2018 Employee Benefits Expense

Air Canada expects employee benefits expense to increase by approximately $75 million from the full year 2017.

Full Year 2018 Aircraft Maintenance Expense

Air Canada expects aircraft maintenance expense to increase by approximately $140 million from the full year 2017.

The above outlook is not dependent on Air Canada's new Cost Transformation Program which is targeting to generate savings of $250 million by the end of 2019.

2018 Outlook – Major Assumptions: Assumptions were made by Air Canada in preparing and making forward-looking statements. As part of its assumptions, Air Canada assumes relatively modest Canadian GDP growth for 2018. Air Canada also expects that the Canadian dollar will trade, on average, at C$1.25 per U.S. dollar in the first quarter and the full year 2018 and that the price of jet fuel will average 72 CAD cents per litre in the first quarter of 2018 and 70 CAD cents per litre for the full year 2018.

The following table summarizes the above-mentioned outlook for the first quarter and the full year 2018 and related major assumptions:

	First Quarter 2018 versus	**Full Year 2018 versus**

	First Quarter 2017	Full Year 2017
Free Cash Flow		$250 - $500 million
Adjusted CASM	Increase of 2.0% to 3.0%	Range between a decrease of 0.5% to an increase of 1.5%
Depreciation, Amortization and Impairment Expense		Increase by $150 million
Employee Benefits Expense		Increase by $75 million
Aircraft Maintenance Expense		Increase by $140 million
Major Assumptions	**First Quarter 2018**	**Full Year 2018**
Canadian GDP	Relatively modest growth	Relatively modest growth
Canadian dollar per U.S. dollar	1.25	1.25
Jet fuel price – CAD cents per litre	72	70

The outlook provided constitutes forward-looking statements within the meaning of applicable securities laws and is based on a number of additional assumptions and subject to a number of risks. Please see section below entitled "Caution Regarding Forward-Looking Information".

(1) Non-GAAP Measures

Below is a description of certain non-GAAP measures used by Air Canada in an effort to provide readers with additional information on its financial and operating performance. Such measures are not recognized measures for financial statement presentation under GAAP, do not have standardized meanings, may not be comparable to similar measures presented by other entities and should not be considered a substitute for or superior to GAAP results. Readers are advised to review the section entitled Non-GAAP Financial Measures in Air Canada's 2017 MD&A for a further discussion of such non-GAAP measures and a reconciliation of such measures to Canadian GAAP.

- Adjusted net income (loss) and adjusted earnings (loss) per share – diluted are used by Air Canada as a means to assess the overall financial performance of its business without the after-tax effects of foreign exchange gains or losses, net financing income (expense) relating to employee benefits, mark-to-market adjustments on derivatives and other financial instruments recorded at fair value, gain on sale and leaseback of assets, gains or losses on debt settlements and modifications and special items as these may distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful. Starting as of and including the fourth quarter of 2017, adjusted net income is determined net of tax and includes the income tax effect of adjustments included in the measurement of adjusted net income.

- Adjusted pre-tax income (loss) is used by Air Canada to assess the overall pre-tax financial performance of its business without the effects of foreign exchange gains or losses, net financing income (expense) relating to employee benefits, mark-to-market adjustments on derivatives and other financial instruments recorded at fair value, gain on sale and leaseback of assets, gains or losses on debt settlements and modifications, and special items. Air Canada uses adjusted pre-tax income (loss) to determine return on invested capital.

- EBITDAR is commonly used in the airline industry and is used by Air Canada as a means to view operating results before interest, taxes, depreciation, amortization, 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. Air Canada excludes special items from EBITDAR as such items would distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful.

- Adjusted CASM is used by Air Canada as a means to assess the operating and cost performance of its ongoing airline business without the effects of fuel expense, the cost of ground packages at Air Canada Vacations® and special items, as such expenses may distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful. Aircraft fuel expense is excluded from operating expense results as it fluctuates widely depending on many factors, including international market conditions, geopolitical events, jet fuel refining costs and Canada/U.S. currency exchange rates. Air Canada also incurs expenses related to ground packages at Air Canada Vacations® which some airlines, without comparable tour operator businesses, may not incur. In addition, these costs do not generate ASMs and therefore excluding these costs from operating expense results provides for a more meaningful comparison across periods when such costs may vary.

- "Leverage ratio" refers to adjusted net debt to trailing 12-month EBITDAR leverage ratio and is commonly used in the airline industry and is used by Air Canada as a means to measure financial leverage. Leverage ratio is calculated by dividing adjusted net debt by trailing 12-month EBITDAR (excluding special items). As mentioned above, Air Canada excludes special items from EBITDAR results (which are used to determine leverage ratio) as such items would distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful.

- Free cash flow is commonly used in the airline industry and is used by Air Canada as an indicator of the financial strength and performance of its business, indicating the amount of cash Air Canada is able to generate from operations and after capital expenditures. Free cash flow is calculated as net cash flows from operating activities minus additions to property, equipment and intangible assets, and is net of proceeds from sale-leaseback transactions.

- Return on invested capital (ROIC) is used by Air Canada as a means to assess the efficiency with which it allocates its capital to generate returns. Return is based on adjusted pre-tax income (or loss, as applicable), excluding interest expense and implicit interest on operating leases. Invested capital includes average year-over-year long-term debt, average year-over-year finance lease obligations, average year-over-year shareholders' equity and the value of capitalized operating leases (calculated by multiplying annualized aircraft rent by 7). Air Canada previously calculated invested capital based on an asset less operating liabilities approach. Following a significant increase in Air Canada's invested capital and book value of its equity, Air Canada decided to change the methodology to a book value-based method of calculating ROIC, as described above. Refer to the definition of adjusted pre-tax income for a discussion of why Air Canada uses this measure to assess the overall pre-tax financial performance of its business.

Air Canada's 2017 Audited Consolidated Financial Statements and Notes and its 2017 Management's Discussion and Analysis of Results of Operations and Financial Condition 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 24, 2017, consult SEDAR at **www.sedar.com**.

Analyst Conference Call Advisory

Air Canada will host its quarterly analysts' call today, February 16, 2018 at 08:30 E.T. Calin Rovinescu, President and Chief Executive Officer, Michael Rousseau, Executive Vice President and Chief Financial Officer, and Benjamin Smith, President, Passenger Airlines, will be available for analysts' questions. Immediately following the analysts' Q&A session, Michael Rousseau, Executive Vice President and Chief Financial Officer, and Pierre Houle, Managing Director and Treasurer, will be available to answer questions from holders of Air Canada's bonds and term loan B lenders. Media and the public may access this call on a listen-in basis. Details are as follows:

Dial 416-340-2218 or 1-800-478-9326

Live audio webcast: **http://bell.media-server.com/m/p/jaqzyvmn**

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This news 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 using 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, our ability to successfully achieve or sustain positive net profitability or to realize our initiatives and objectives, industry, market, credit, economic and geopolitical conditions, energy prices, currency exchange, competition, our dependence on technology, cybersecurity risks, our ability to pay our indebtedness and secure financing, our ability to successfully implement appropriate strategic initiatives or reduce operating costs, war, terrorist acts, epidemic diseases, airport user and related fees, high levels of fixed costs, liquidity, our dependence on key suppliers including regional carriers and Aimia Canada Inc., our success in transitioning from the Aeroplan program and launching our new loyalty program, casualty losses, employee and labour relations and costs, our ability to preserve and grow our brand, pension issues, environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), limitations due to restrictive covenants, insurance issues and costs, our dependence on Star Alliance, interruptions of service, changes in laws, regulatory developments or proceedings, pending and future litigation and actions by third parties and our ability to attract and retain required personnel, as well as the factors identified in Air Canada's public disclosure file available at www.sedar.com and, in particular, those identified in section 18 "Risk Factors" of Air Canada's 2017 MD&A. The forward-looking statements contained or incorporated by reference 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 because 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.

(Canadian dollars in millions, except where indicated)	Fourth Quarter			Full Year		
	2017	2016	$ Change	2017	2016	$ Change
Financial Performance Metrics						
Operating revenues	3,820	3,425	395	16,252	14,677	1,575
Operating income	133	18	115	1,364	1,345	19
Income (loss) before income taxes	20	(178)	198	1,279	877	402
Net income (loss)	8	(179)	187	2,038	876	1,162
Adjusted pre-tax income (1)	77	39	38	1,158	1,148	10
Adjusted net income (1) (2)	61	38	23	1,142	1,147	(5)
Operating margin %	3.5%	0.5%	3.0 pp	8.4%	9.2%	(0.8) pp
EBITDAR (excluding special items) (1)	521	455	66	2,921	2,768	153
EBITDAR margin (excluding special items) % (1)	13.6%	13.3%	0.3 pp	18.0%	18.9%	(0.9) pp
Unrestricted liquidity (3)	4,181	3,388	793	4,181	3,388	793
Net cash flows from operating activities	389	351	38	2,738	2,421	317
Free cash flow (1)	(43)	121	(164)	1,056	(149)	1,205
Adjusted net debt (1)	6,116	7,090	(974)	6,116	7,090	(974)
Return on invested capital ("ROIC") % (1)	13.9%	16.7%	(2.8) pp	13.9%	16.7%	(2.8) pp
Leverage ratio (1)	2.1	2.6	(0.5)	2.1	2.6	(0.5)
Diluted earnings (loss) per share	$ 0.02	$ (0.66)	$ 0.68	$ 7.34	$ 3.10	$ 4.24
Adjusted earnings per share – diluted (1)	$ 0.22	$ 0.14	$ 0.08	$ 4.11	$ 4.06	$ 0.05
Operating Statistics (4)			**% Change**			**% Change**
Revenue passenger miles ("RPM") (millions)	19,396	17,643	9.9	85,137	76,481	11.3
Available seat miles ("ASM") (millions)	24,191	22,091	9.5	103,492	92,726	11.6
Passenger load factor %	80.2%	79.9%	0.3 pp	82.3%	82.5%	(0.2) pp
Passenger revenue per RPM ("Yield") (cents)	17.1	16.9	1.4	16.7	16.8	(1.0)
Passenger revenue per ASM ("PRASM") (cents)	13.7	13.5	1.8	13.7	13.9	(1.3)
Operating revenue per ASM (cents)	15.8	15.5	1.9	15.7	15.8	(0.8)
Operating expense per ASM ("CASM") (cents)	15.2	15.4	(1.2)	14.4	14.4	0.1
Adjusted CASM (cents) (1)	11.3	11.4	(1.2)	10.6	10.9	(3.0)
Average number of full-time equivalent ("FTE") employees (thousands) (5)	28.3	26.2	8.0	27.8	26.1	6.7
Aircraft in operating fleet at period-end	395	381	3.7	395	381	3.7
Average fleet utilization (hours per day)	9.7	9.5	2.4	10.4	10.2	1.8
Seats dispatched (thousands)	14,522	13,873	4.7	60,820	57,135	6.4
Aircraft frequencies (thousands)	138.4	136.7	1.3	569.6	565.5	0.7
Average stage length (miles) (6)	1,666	1,592	4.6	1,702	1,623	4.8
Fuel cost per litre (cents)	67.5	59.4	13.8	62.6	53.9	16.2
Fuel litres (thousands)	1,254,111	1,160,404	8.1	5,331,888	4,837,159	10.2
Revenue passengers carried (thousands) (7)	11,314	10,719	5.6	48,126	44,849	7.3

(1) *Adjusted pre-tax income, adjusted net income, adjusted earnings per share – diluted, EBITDAR (earnings before interest, taxes, depreciation, amortization, impairment and aircraft rent), EBITDAR margin, leverage ratio, free cash flow, ROIC and adjusted CASM are each non-GAAP financial measures and adjusted net debt is an additional GAAP measure. Refer to sections 9 and 20 of Air Canada's 2017 MD&A for descriptions of Air Canada's non-GAAP financial measures and additional GAAP measures. As referenced in the table above, special items are excluded from Air Canada's reported EBITDAR calculations. Refer to sections 6 and 7 of Air Canada's 2017 MD&A for information on special items.*

(2) *Starting as of and including the fourth quarter of 2017, adjusted net income is determined net of tax and includes the*

income tax effect of adjustments included in the measurement of adjusted net income. Prior to the fourth quarter of 2017, there was no deferred income tax expense recorded because of significant unrecognized deferred tax assets. A tax expense of $16 million affected fourth quarter and full year 2017 adjusted net income results.

(3) *Unrestricted liquidity refers to the sum of cash, cash equivalents, short-term investments and the amount of available credit under Air Canada's revolving credit facilities. At December 31, 2017, unrestricted liquidity was comprised of cash and short-term investments of $3,804 million and undrawn lines of credit of $377 million. At December 31, 2016, unrestricted liquidity was comprised of cash and short-term investments of $2,979 million and undrawn lines of credit of $409 million.*

(4) *Except for the reference to average number of FTE employees, operating statistics in this table include third party carriers (such as Jazz Aviation LP ("Jazz"), Sky Regional Airlines Inc. ("Sky Regional"), Air Georgian Limited ("Air Georgian") and Exploits Valley Air Services Limited ("EVAS") operating under capacity purchase agreements with Air Canada.*

(5) *Reflects FTE employees at Air Canada. Excludes FTE employees at third party carriers (such as Jazz, Sky Regional, Air Georgian and EVAS) operating under capacity purchase agreements with Air Canada.*

(6) *Average stage length is calculated by dividing the total number of available seat miles by the total number of seats dispatched.*

(7) *Revenue passengers carried are counted on a flight number basis (rather than by journey/itinerary or by leg) which is consistent with the IATA definition of revenue passengers carried.*

SOURCE Air Canada

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