AIR CANADA

News Release

Air Canada Reports Third Quarter 2015 Results

- ***EBITDAR margin expands by 7.0 percentage points to 26.7 per cent***
- ***Operating income of $815 million, an improvement of $289 million or approximately 55 per cent***

MONTRÉAL, November 5, 2015 – Air Canada today reported record third quarter adjusted net income[(1)] of $734 million or $2.50 per diluted share compared to adjusted net income of $457 million or $1.55 per diluted share in the third quarter of 2014, an improvement of $277 million or approximately 61 per cent. EBITDAR[(1)] (earnings before interest, taxes, depreciation, amortization and aircraft rent) amounted to $1,076 million compared to EBITDAR of $749 million in the same quarter in 2014, an increase of $327 million or approximately 44 per cent year-over-year. On a GAAP basis, Air Canada reported record third quarter operating income of $815 million compared to operating income of $526 million, an improvement of $289 million or approximately 55 per cent from the third quarter of 2014. An operating margin of 20.3 per cent in the third quarter of 2015 reflected an improvement of 6.5 percentage points from the same quarter in 2014.

“I am very pleased with the financial results we realized in the third quarter, reflecting both the continued, successful execution of the strategic plan that we have developed over the last several years as well as the efforts of all of our employees,” said Calin Rovinescu, President and Chief Executive Officer of Air Canada. “Our EBITDAR margin improved 700 basis points versus last year as passenger revenue increased 6.9 per cent and adjusted CASM declined 0.5 per cent.

“We will continue to direct the majority of our operating cash flow to finance the renewal of our fleet with more fuel efficient aircraft and to reduce net debt levels, two drivers which we firmly believe will continue to increase long-term shareholder value.

“The transformative changes we have made in recent years provide us with the cost structure, fleet and flexibility to respond not only to competitive market conditions, but also to fluctuations in the Canadian dollar and economic downturns. Moreover, our plan is not based on fuel prices staying at the current levels. Our capacity additions for the year, largely in international markets, remain consistent with our plan that had been established in a higher fuel price environment and continue to be important contributors to our increased profits.

“In addition, we have increased investments in training and support for our employees, contributing to higher employee engagement levels and improved customer service scores, such as the Ipsos Reid Business Traveller Survey which named Air Canada “Canada’s Favourite Airline for Business Travel”. Air Canada was preferred by 86 per cent of Canadian frequent business travellers surveyed in 2015, an improvement of 17 percentage points over the past seven years. I would like to thank all 28,000 employees for their collective efforts in delivering these strong financial results and for continuing to improve our customer service, reaching higher levels of excellence,” said Mr. Rovinescu.

Third Quarter Income Statement Highlights

In the third quarter of 2015, on capacity growth of 10.5 per cent, system passenger revenues of $3.7 billion increased $240 million or 6.9 per cent from the third quarter of 2014. The favourable impact of a weaker Canadian dollar on foreign currency denominated passenger revenues increased passenger revenues by approximately $119 million in the third quarter of 2015. Passenger revenue per available seat mile (PRASM) decreased 4.0 per cent from the third quarter of 2014 mainly on a lower yield. Traffic growth of 10.2 per cent reflected traffic increases in all of Air Canada’s five geographic markets. A yield decline of 3.8 per cent, consistent with the anticipated yield impact stemming from the implementation of the airline’s strategic plan, reflected an increase in average stage length of 3.7 per cent, which alone had the effect of reducing system yield by 2.1 percentage points, a higher proportional growth of lower-yielding international-to-international passenger flows in support of the airline’s international expansion strategy, a higher proportion of seats into long-haul leisure markets and a reduction in carrier surcharges relating to lower fuel prices, particularly where carrier surcharges are regulated. Air Canada’s commercial strategy, combined with its focus on cost reduction, produced a 20.3 per cent operating margin in the third quarter of 2015, 650 basis points above the third quarter of 2014.

In the third quarter of 2015, operating expenses of $3.2 billion decreased $64 million or 2.0 per cent from the third quarter of 2014. This decrease was mainly due to the impact of lower base fuel prices (before the impact of foreign exchange) which decreased operating expenses by $477 million in the third quarter of 2015. This decrease was largely offset by the impact of the 10.5 per cent capacity growth and the unfavourable impact of a weaker Canadian dollar on foreign currency denominated operating expenses which increased operating expenses by approximately $215 million in the third quarter of 2015 (comprised of $111 million in aircraft fuel expense and an aggregate of $104 million in non-fuel operating expenses).

Air Canada’s cost per available seat mile (CASM) decreased 11.3 per cent from the third quarter of 2014. The airline’s adjusted CASM(1), which excludes fuel expense, the cost of ground packages at Air Canada Vacations® and unusual items decreased 0.5 per cent from the third quarter of 2014, in line with the 0.5 to 1.5 per cent decrease projected in Air Canada’s news release dated August 12, 2015. Had the Canadian-U.S. dollar exchange rate remained at 2014 levels, adjusted CASM would have decreased 4.6 per cent when compared to the third quarter of 2014.

Financial and Capital Management Highlights

At September 30, 2015, unrestricted liquidity (cash, short-term investments and undrawn lines of credit) amounted to $3.4 billion (September 30, 2014 – $2.8 billion).

Adjusted net debt amounted to $5.4 billion at September 30, 2015, an increase of $291 million from December 31, 2014 due to higher long-term debt and finance lease balances (including current portion) partly offset by higher cash balances. The airline's adjusted net debt to EBITDAR ratio was 2.2 at September 30, 2015 versus a ratio of 3.1 at December 31, 2014.

In the third quarter of 2015, net cash flows from operating activities totaled $476 million, an improvement of $285 million from the third quarter of 2014. Negative free cash flow(1) amounted to $90 million, an improvement of $102 million from the third quarter of 2014. This increase reflected the impact of higher operating income partly offset by higher capital expenditures when compared to the third quarter of 2014. Air Canada took delivery of two Boeing 787 aircraft in the third quarter of 2015.

For the 12 months ended September 30, 2015, return on invested capital (ROIC(1)) was 18.0 per cent versus 11.4 per cent for the 12 months ended September 30, 2014.

Current Outlook

Capacity

Air Canada expects fourth quarter 2015 system ASM capacity, as measured by available seat miles (ASMs), to increase 7.5 to 8.5 per cent when compared to the fourth quarter of 2014, and to be comprised of an increase in the total number of seats dispatched (system) of 5.5 to 6.5 per cent and an increase in system average stage length (measured by ASMs divided by seats dispatched) of approximately 2.0 per cent when compared to the same quarter in 2014.

Air Canada continues to expect its full year 2015 system ASM capacity to increase by 9.0 to 10.0 per cent. For the full year 2015, Air Canada continues to expect an increase in the total number of seats dispatched (system) of 6.0 to 7.0 per cent and an increase in average stage length (system) of approximately 3.0 per cent when compared to the full year 2014. Approximately 55 per cent of the 2015 forecasted capacity increase reflects the continued lower-cost growth of Air Canada rouge® while approximately 38 per cent of the capacity growth is focused on international markets operated by the mainline carrier.

Air Canada continues to expect its full year 2015 domestic ASM capacity to increase by 3.0 to 4.0 per cent when compared to 2014. The year-over-year growth in full year 2015 domestic ASM capacity is largely focused on the airline's transcontinental services, reflecting, in large part, the positioning of certain Boeing 777 and 787 aircraft at Air Canada's major hubs in Toronto and Vancouver. Furthermore, in 2015, an overlap of the aircraft brought into the fleet to replace the exiting Embraer 190 aircraft is expected to account for approximately 30 per cent of the projected domestic capacity growth in 2015. This overlap was designed to better match capacity with the 2015 summer season demand that had been expected. For the full year 2015, Air Canada continues to expect an increase in the total number of seats dispatched (domestic) of 2.0 to 3.0 per cent and an increase in average stage length (domestic) of approximately 1.0 per cent when compared to the full year 2014.

Adjusted CASM

For the fourth quarter of 2015, Air Canada expects adjusted CASM (which excludes fuel expense, the cost of ground packages at Air Canada Vacations and unusual items) to increase by up to 1.0 per cent when compared to the fourth quarter of 2014.

For the full year 2015, Air Canada now expects adjusted CASM to decrease by up to 1.0 per cent from the full year 2014, as opposed to the decrease of 1.0 to 2.0 per cent projected in Air Canada's news release dated August 12, 2015, the result of additional investments in further improving customer experience, slight increases in depreciation, amortization and impairment, employee benefits and aircraft maintenance expenses (discussed below), as well as the impact of a weaker Canadian dollar.

Major Assumptions

Air Canada's outlook assumes relatively low Canadian GDP growth for 2015. Air Canada also expects that the Canadian dollar will trade, on average, at C$1.32 per U.S. dollar in the fourth quarter of 2015 and C$1.28 for the full year 2015 and that the price of jet fuel will average 60 cents per litre for the fourth quarter of 2015 and 63 cents per litre for the full year 2015.

The following table summarizes Air Canada's above-mentioned outlook for the fourth quarter and full year 2015 and related major assumptions:

	Fourth Quarter 2015 versus Fourth Quarter 2014	**Full Year 2015 versus Full Year 2014**
Current Outlook		
System		
Available seat miles	Increase 7.5% to 8.5%	Increase 9.0% to 10.0%
Seats dispatched	Increase 5.5% to 6.5%	Increase 6.0% to 7.0%
Average stage length	Increase approximately 2.0%	Increase approximately 3.0%
Canada		
Available seat miles		Increase 3.0% to 4.0%
Seats dispatched		Increase 2.0% to 3.0%
Average stage length		Increase approximately 1.0%
Adjusted CASM	Increase by up to 1.0%	Decrease by up to 1.0%

	Major Assumptions – Fourth Quarter 2015	Major Assumptions – Full Year 2015
Major Assumptions		
Canadian dollar per U.S. dollar	$1.32	$1.28
Jet fuel price – CAD cents per litre	60 cents	63 cents
Canadian economy	Relatively low GDP growth	Relatively low GDP growth

For the full year 2015, Air Canada also expects:

- Depreciation, amortization and impairment expense to increase by $130 million from the full year 2014, as opposed to the increase of $125 million projected in Air Canada's news release dated August 12, 2015. This revised guidance takes into account Air Canada's depreciation, amortization and impairment expense for the first nine months of 2015.

- Employee benefits expense to increase $35 million from the full year 2014, as opposed to the increase of $30 million projected in Air Canada's news release dated August 12, 2015. This revised guidance takes into account Air Canada's employee benefits expense for the first nine months of 2015.

- Aircraft maintenance expense to increase $95 million as opposed to the increase of $90 million projected in Air Canada's news release dated August 12, 2015. This revised guidance takes into account Air Canada's aircraft maintenance expense for the first nine months of 2015, including the impact of a weaker than previously projected Canadian dollar on U.S. denominated aircraft maintenance expenses.

The following table summarizes the above-mentioned projections for the full year 2015:

	Full Year 2015 versus Full Year 2014
Depreciation, amortization and impairment expense	Increase $130 million
Employee benefits expense	Increase $35 million
Aircraft maintenance expense	Increase $95 million

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 order to provide readers with 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 Third Quarter 2015 MD&A for reconciliation of non-GAAP financial measures.

- Adjusted net income (loss) and adjusted net income (loss) per diluted share are used by Air Canada to assess the overall financial performance of its business without the effects of foreign exchange, net financing income (expense) relating to employee benefits, mark-to-market adjustments on fuel and other derivatives and unusual items as these items may distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful. Air Canada also uses adjusted net income as a measure to determine return on invested capital.

- EBITDAR is commonly used in the airline industry and is used by Air Canada to assess earnings 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.

- Adjusted CASM is used by Air Canada 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 unusual items, as such expenses may distort the analysis of certain business trends and render comparative analysis 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.

- Return on invested capital (ROIC) is used by Air Canada to assess the efficiency with which it allocates its capital to generate returns. Return is based on adjusted net income (loss) (as referred to in the paragraph above), excluding interest expense and implicit interest on operating leases. Invested capital includes average year-over-year total assets, net of average year-over-year non-interest-bearing operating liabilities, and the value of capitalized operating leases (calculated by multiplying annualized aircraft rent by 7).

Air Canada's Third Quarter 2015 Interim Unaudited Condensed Consolidated Financial Statements and Notes and its Third Quarter 2015 Management's Discussion and Analysis 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 31, 2015, consult SEDAR at **www.sedar.com**.

AIR CANADA

A STAR ALLIANCE MEMBER

Analyst Conference Call Advisory

Air Canada will host its quarterly analysts' call today, November 5, 2015 at 09:00 ET. 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 416-340-8010 or 1-866-225-9256

Live audio webcast: **http://bell.media-server.com/m/p/8nfs8qa9**

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 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, economic and geopolitical conditions, currency exchange, the ability to reduce operating costs and secure financing, energy prices, interest rates, competition, employee and labour relations, pension issues, 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 2014 MD&A dated February 11, 2015. 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.

- 30 -

Contacts:	Isabelle Arthur (Montréal)	Isabelle.arthur@aircanada.ca	514 422-5788
	Peter Fitzpatrick (Toronto)	peter.fitzpatrick@aircanada.ca	416 263-5576
	Angela Mah (Vancouver)	angela.mah@aircanada.ca	604 270-5741

Internet: aircanada.com

AIR CANADA

A STAR ALLIANCE MEMBER

HIGHLIGHTS

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

(Canadian dollars in millions, except where indicated)	Third Quarter			First Nine Months		
	2015	2014	$ Change	2015	2014	$ Change
Financial Performance Metrics						
Operating revenues	4,023	3,798	225	10,686	10,168	518
Operating income	815	526	289	1,338	709	629
Non-operating expense	(378)	(203)	(175)	(914)	(504)	(410)
Net income	437	323	114	424	205	219
Adjusted net income (1)	734	457	277	1,106	464	642
Operating margin %	20.3%	13.8%	6.5 pp	12.5%	7.0%	5.5 pp
EBITDAR (2)	1,076	749	327	2,109	1,352	757
EBITDAR margin % (2)	26.7%	19.7%	7.0 pp	19.7%	13.3%	6.4 pp
Unrestricted liquidity (3)	3,399	2,802	597	3,399	2,802	597
Net cash flows from operating activities	476	191	285	1,793	921	872
Free cash flow (4)	(90)	(192)	102	592	(194)	786
Adjusted net debt (5)	5,423	4,623	800	5,423	4,623	800
Return on invested capital ("ROIC") % (6)	18.0%	11.4%	6.6 pp	18.0%	11.4%	6.6 pp
Diluted earnings per share	$ 1.48	$ 1.10	$ 0.38	$ 1.43	$ 0.69	$ 0.74
Adjusted earnings per share – diluted (1)	$ 2.50	$ 1.55	$ 0.95	$ 3.77	$ 1.58	$ 2.19
Operating Statistics (7)			**% Change**			**% Change**
Revenue passenger miles ("RPM") (millions)	20,462	18,565	10.2	52,244	47,526	9.9
Available seat miles ("ASM") (millions)	23,535	21,299	10.5	62,002	56,486	9.8
Passenger load factor %	86.9%	87.2%	(0.2) pp	84.3%	84.1%	0.1 pp
Passenger revenue per RPM ("Yield") (cents)	17.8	18.5	(3.8)	18.0	18.8	(4.3)
Passenger revenue per ASM ("PRASM") (cents)	15.5	16.1	(4.0)	15.2	15.8	(4.1)
Operating revenue per ASM (cents)	17.1	17.8	(3.9)	17.2	18.0	(4.3)
Operating expense per ASM ("CASM") (cents)	13.6	15.4	(11.3)	15.1	16.7	(10.0)
Adjusted CASM (cents) (8)	10.0	10.1	(0.5)	11.0	11.1	(0.5)
Average number of full-time equivalent ("FTE") employees (thousands) (9)	25.0	24.6	1.6	24.8	24.5	1.2
Aircraft in operating fleet at period-end	372	362	2.8	372	362	2.8
Average fleet utilization (hours per day)	11.0	10.8	2.4	10.3	10.2	0.9
Seats dispatched (thousands)	14,408	13,518	6.6	39,737	37,403	6.2
Aircraft frequencies (thousands)	154	150	3.1	431	420	2.5
Average stage length (miles) (10)	1,634	1,576	3.7	1,560	1,510	3.3
Fuel cost per litre (cents)	61.4	89.7	(31.5)	64.3	91.8	(29.9)
Fuel litres (millions)	1,290	1,200	7.5	3,443	3,221	6.9
Revenue passengers carried (thousands) (11)	11,723	10,979	6.8	31,439	29,337	7.2

(1) *Adjusted net income (loss) and adjusted earnings (loss) per share – diluted are non-GAAP financial measures. Refer to section 16 "Non-GAAP Financial Measures" of Air Canada's Third Quarter 2015 MD&A for additional information.*

(2) *EBITDAR (earnings before interest, taxes, depreciation, amortization, impairment and aircraft rent) is a non-GAAP financial measure. Refer to section 16 "Non-GAAP Financial Measures" of Air Canada's Third Quarter 2015 MD&A for additional information.*

(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 September 30, 2015, unrestricted liquidity was comprised of cash and short-term investments of $3,116 million and undrawn lines of credit of $283 million. At September 30, 2014, unrestricted liquidity was comprised of cash and short-term investments of $2,528 million and undrawn lines of credit of $274 million.*

(4) *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 7.5 "Consolidated Cash Flow Movements" of Air Canada's Third Quarter 2015 MD&A for additional information.*

(5) *Adjusted net debt (total debt less cash, cash equivalents and short-term investments plus capitalized operating leases) is an additional GAAP financial measure. Refer to section 7.3 "Adjusted Net Debt" of Air Canada's Third Quarter 2015 MD&A for additional information.*

(6) *Return on invested capital ("ROIC") is a non-GAAP financial measure. Refer to section 16 "Non-GAAP Financial Measures" of Air Canada's Third Quarter 2015 MD&A for additional information.*

(7) *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") and Sky Regional Airlines Inc. ("Sky Regional")) operating under capacity purchase agreements with Air Canada.*

(8) *Adjusted CASM is a non-GAAP financial measure. Refer to section 16 "Non-GAAP Financial Measures" of Air Canada's Third Quarter 2015 MD&A for additional information.*

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

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

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