

# News Release

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## **Air Canada Reports Record Full Year 2014 Results**

*Highest Annual Adjusted Net Income in Air Canada's 77-year History*

- **Adjusted net income of \$531 million or \$1.81 per diluted share in 2014 versus adjusted net income of \$340 million or \$1.20 per diluted share in 2013, an increase of \$191 million or 56.2 per cent or \$0.61 per diluted share. Fourth quarter 2014 adjusted net income of \$67 million or \$0.23 per diluted share, an increase of \$64 million or \$0.22 per diluted share**
- **Operating income of \$815 million in 2014, an increase of \$196 million or 31.7 per cent from 2013**
- **As at January 1, 2015, based on preliminary estimates, including actuarial assumptions, aggregate solvency surplus of \$780 million in Air Canada's domestic registered pension plans**

MONTRÉAL, February 11, 2015 – Air Canada today reported full year adjusted net income<sup>(1)</sup> of \$531 million or \$1.81 per diluted share compared to adjusted net income of \$340 million or \$1.20 per diluted share in 2013, an improvement of \$191 million or \$0.61 per diluted share. EBITDAR<sup>(1)</sup> (earnings before interest, taxes, depreciation, amortization and aircraft rent) amounted to \$1.671 billion compared to EBITDAR (excluding the impact of benefit plan amendments) of \$1.433 billion in 2013, an improvement of \$238 million or 16.6 per cent. On a GAAP basis, Air Canada reported 2014 operating income of \$815 million, an increase of \$196 million or 31.7 per cent from 2013. The airline reported net income of \$105 million or \$0.34 per diluted share in 2014 compared to net income of \$10 million or \$0.02 per diluted share in 2013.

“In 2014, Air Canada achieved its best full year financial performance in the Corporation's 77-year history,” said Calin Rovinescu, President and Chief Executive Officer. “Adjusted net income was \$531 million, representing an increase of 56.2 per cent year-over-year. EBITDAR increased 16.6 per cent from the previous year. Fourth quarter EBITDAR of \$319 million increased \$42 million compared to EBITDAR for the previous year's quarter, excluding benefit plan amendments. We served almost three million more customers in 2014, or a total of 38.5 million including three million customers on rouge®. We recorded our highest system load factor ever as we continued to expand our widebody fleet and grow internationally. Air Canada's share price gained 60 per cent over the year, a more than six-fold increase in value since the start of 2013. Record results for a second consecutive year represent a significant step towards our goal of sustainable profitability, and allow us to pay out \$46 million to employees through the profit sharing program, an increase of \$15 million from the previous year.

“We continue to implement cost reduction and revenue-generating initiatives including profitable international growth and the strategic deployment of rouge® to compete in leisure markets. We remain focused on prudent capacity management and a pricing strategy based on market demand which, overall, has continued to remain strong into 2015. While fuel prices remain volatile, the recent decrease is expected to drive significant cost savings in 2015 and provides us with an opportunity to increase adjusted net income, reduce adjusted net debt and further strengthen our balance sheet. I would like to thank our 27,000 employees for their part in the accomplishments realized over the past year and for their continued focus on taking care of our customers as we work towards sustainable profitability in this highly competitive industry environment,” concluded Mr. Rovinescu.

### **Full year Income Statement Highlights**

In 2014, on capacity growth of 7.8 per cent, system passenger revenues of \$11.804 billion increased \$783 million or 7.1 per cent from 2013. The increase in system passenger revenues was mainly due to traffic growth of 8.5 per cent partly offset by a yield decline of 1.3 per cent. An increase in average stage length of 2.3 per cent versus 2013, reflecting international long-haul growth, had the effect of reducing yield by 1.3 percentage points. On a stage length adjusted basis, system yield was unchanged from 2013. Modest yield declines are an anticipated and natural consequence of the successful implementation of Air Canada’s business strategy to profitably increase long-haul international and leisure flying.

Passenger revenue per available seat mile (PRASM) decreased 0.6 per cent from 2013 as the lower yield was largely offset by a passenger load factor improvement of 0.6 percentage points. In 2014, system business cabin revenues increased \$109 million or 4.9 per cent on yield growth.

In 2014, operating expenses of \$12.457 billion increased \$694 million or 6 per cent from 2013 on capacity growth of 7.8 per cent. The unfavourable impact of a weaker Canadian dollar on foreign currency denominated operating expenses (mainly U.S. dollars) in 2014, when compared to 2013, increased operating expenses by approximately \$397 million.

Air Canada’s adjusted cost per available seat mile (adjusted CASM<sup>(1)</sup>), which excludes fuel expense, the cost of ground packages at Air Canada Vacations® and unusual items, decreased 2.6 per cent from 2013, in line with the 2.5 per cent to 3.5 per cent decrease projected in Air Canada’s news release dated November 6, 2014.

In 2014, Air Canada recorded operating income of \$815 million compared to operating income of \$619 million in 2013, an improvement of \$196 million or 31.7 per cent. The airline recorded an operating margin of 6.1 per cent compared to an operating margin (excluding the impact of benefit plan amendments) of 4.3 per cent in 2013, an improvement of 1.8 percentage points.

### **Fourth Quarter Income Statement Highlights**

In the fourth quarter of 2014, on capacity growth of 8.5 per cent, system passenger revenues of \$2.755 billion increased \$195 million or 7.6 per cent from the fourth quarter of 2013. The increase in system passenger revenues was due to traffic growth of 9.4 per cent partly offset by a yield decline of 1.9 per cent. An increase in average stage length of 2.2 per cent versus the fourth quarter of 2013 had the effect of reducing yield by 1.2 percentage

points. On a stage length adjusted basis, system yield marginally declined 0.7 per cent year-over-year.

PRASM decreased 1.2 per cent from the same quarter in 2013 as the lower yield was partly offset by a passenger load factor improvement of 0.6 percentage points. In the fourth quarter of 2014, system business cabin revenues increased \$28 million or 5.0 per cent on yield growth of 6.7 per cent partly offset by a decrease in traffic of 1.5 per cent.

In the fourth quarter of 2014, operating expenses of \$2.998 billion increased \$239 million or 9 per cent from the fourth quarter of 2013. The unfavourable impact of a weaker Canadian dollar on foreign currency denominated operating expenses (mainly U.S. dollars) in the fourth quarter of 2014, when compared to the fourth quarter of 2013, increased operating expenses by approximately \$89 million.

Adjusted CASM was unchanged from the fourth quarter of 2013 versus the 1.0 per cent to 2.0 per cent decrease projected in Air Canada's news release dated November 6, 2014. This difference was primarily due to higher than forecasted employee benefits expense mainly due to revised actuarial valuations related to pension and post-employment benefits, an increase in accruals related to employee profit sharing programs, the timing of maintenance events versus what was previously projected and, to a lesser extent, the impact of a weaker than anticipated Canadian dollar.

In the fourth quarter of 2014, Air Canada recorded operating income of \$106 million compared to operating income of \$135 million in the fourth quarter of 2013, a decrease of \$29 million. In the fourth quarter of 2013, Air Canada recorded a reduction of \$82 million in operating expenses related to benefit plan amendments while no such adjustment was recorded in the fourth quarter of 2014. Air Canada recorded an operating margin of 3.4 per cent compared to an operating margin (excluding the impact of benefit plan amendments) of 1.8 per cent in the fourth quarter of 2013, an improvement of 1.6 percentage points.

For the fourth quarter of 2014, adjusted net income of \$67 million or \$0.23 per diluted share increased \$64 million or \$0.22 per diluted share from the same quarter of 2013. The airline reported fourth quarter EBITDAR of \$319 million compared to fourth quarter EBITDAR (excluding the impact of benefit plan amendments) of \$277 million in 2013, an improvement of \$42 million or 15.2 per cent.

### **Financial and Capital Management Highlights**

At December 31, 2014, unrestricted liquidity (cash, short-term investments and undrawn lines of credit) amounted to \$2.685 billion (December 31, 2013 – \$2.364 billion). Air Canada's principal objective in managing liquidity risk is to maintain a minimum unrestricted liquidity level of \$1.7 billion.

At December 31, 2014, adjusted net debt<sup>(1)</sup> amounted to \$5.132 billion, an increase of \$781 million from December 31, 2013, mainly due to the purchase of six Boeing 787-8 and one Boeing 777 aircraft in 2014 and the unfavourable impact of a weaker Canadian dollar as at December 31, 2014 compared to December 31, 2013 on Air Canada's foreign currency denominated debt (mainly U.S. dollars), which accounted for an increase of \$365 million to long-term debt in 2014. The airline's adjusted net debt to EBITDAR ratio was 3.1 at December 31, 2014 versus a ratio 3.0 at December 31, 2013. Air Canada uses this ratio to manage its financial leverage risk and its objective is to maintain the ratio below 3.5.

For the 12 months ended December 31, 2014, return on invested capital (ROIC<sup>(1)</sup>) was 12.1 per cent versus 10.5 per cent for the 12 months ended December 31, 2013. Air Canada's goal remains to achieve a sustainable ROIC of 10 to 13 per cent.

Further to Air Canada's foreign exchange risk management practices (which are more fully described in Air Canada's 2014 MD&A), foreign denominated revenues essentially act as a natural hedge against U.S. dollar denominated non-fuel operating expenses. As such, net U.S. dollar operating expenses are largely attributable to the airline's fuel purchases which are currently at a much lower cost in Canadian dollars despite the impact of a weaker Canadian dollar.

U.S. dollar currency derivatives and U.S. dollar cash reserves, which, as at December 31, 2014, amounted to US\$2.292 billion and US\$620 million, respectively, are employed to offset approximately 60 per cent of the net U.S. dollar currency exposure in 2015 and 2016. The currency derivatives enable Air Canada to purchase U.S. dollars at a weighted average price of C\$1.0884 (subject to various option pricing features, such as knock-out terms and profit cap limitations). These derivatives and U.S. dollar cash reserves will be available to mitigate certain cash flow exposure from the currency movements in 2015; however the benefit of these hedging activities is recorded as a foreign exchange gain and not within operating income.

## **Pension**

As at January 1, 2014, the aggregate solvency surplus in Air Canada's domestic registered pension plans was \$89 million. The next required valuations will be completed in the first half of 2015. Based on preliminary estimates, including actuarial assumptions, as at January 1, 2015, the aggregate solvency surplus in Air Canada's domestic registered pension plans is projected to be \$780 million.

In December 2013, the Government of Canada formally approved the *Air Canada Pension Plan Funding Regulations, 2014* (the "2014 Regulations") under the *Pension Benefits Standards Act, 1985* in respect of special payments required to be made to amortize the deficit under Air Canada's defined benefit plans applicable to the period between 2014 to 2020 inclusively, expiring December 31, 2020. Air Canada is permitted to opt out of the 2014 Regulations and have past service payments in respect of all Air Canada pension plans, collectively, determined in accordance with normal funding rules. Air Canada would consider opting out when the annual solvency deficit payments under normal funding rules, which are determined using deficit levels over three years, would be less than \$200 million and when there would be a strong basis for confidence that the airline's de-risking strategy would make a future significant deficit unlikely to re-occur. At December 31, 2014, approximately 72.5 per cent of the pension liabilities were matched with fixed income products to mitigate a significant portion of the interest rate (discount rate) risk.

In the event that Air Canada opts out of the 2014 Regulations, based on the normal funding rules and subject to the finalization of the preliminary estimate of the pension solvency surplus of \$780 million at January 1, 2015, Air Canada's pension solvency payment would be approximately \$90 million in 2015.

## **Current Outlook**

### **Capacity**

Air Canada expects first quarter 2015 system ASM capacity, as measured by available seat miles (ASMs), to increase 8.5 to 9.5 per cent when compared to the first quarter of 2014, and to be comprised of an increase in the total number of seats dispatched (system) of 7.0 to 8.0 per cent and an increase in average stage length (system) (measured by ASMs divided by seats dispatched) of approximately 1.5 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 when compared to the full year 2014 and average stage length (system) is expected to increase approximately 3.0 per cent year-over-year. Approximately 55 per cent of the 2015 forecasted capacity increase will be through the continued lower-cost growth of Air Canada rouge® while approximately 38 per cent of the capacity growth will be targeted to international markets operated by the mainline carrier.

Air Canada expects its full year 2015 domestic ASM capacity to increase 3.5 to 4.5 per cent (as opposed to the 4.0 to 5.0 per cent increase projected in Air Canada's news release dated November 6, 2014) when compared to 2014, with a large part of the growth focused on the airline's transcontinental services. The increase on transcontinental services is partly driven by 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 forecasted to account for approximately 30 per cent of the projected domestic capacity growth in 2015. This overlap is designed to better match capacity with expected 2015 summer season demand. For the full year 2015, Air Canada continues to expect an increase in the total number of seats dispatched (domestic) of 2.5 to 3.5 per cent while average stage length (domestic) is expected to increase approximately 1.0 per cent when compared to the full year 2014.

### **Adjusted CASM**

For the first 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 0.5 to 1.5 per cent when compared to the first quarter of 2014. If the value of the Canadian dollar were at 2014 levels, the projected adjusted CASM for the first quarter of 2015 versus the first quarter of 2014 would reflect a decrease of 2.0 to 3.0 per cent.

For the full year 2015, Air Canada expects adjusted CASM to decrease 0.75 to 1.75 per cent from the full year 2014. If the value of the Canadian dollar were at 2014 levels, the projected adjusted CASM for the full year 2015 versus the full year 2014 would reflect a decrease of 3.75 to 4.75 per cent.

## Major Assumptions

Air Canada's outlook assumes annual Canadian GDP growth of 1.75 to 2.25 per cent for 2015. Air Canada also expects that the Canadian dollar will trade, on average, at C\$1.25 per U.S. dollar in the first quarter of 2015 and for the full year 2015 and that the price of jet fuel will average 66 cents per litre for the first quarter of 2015 and 67 cents per litre for the full year 2015.

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

	First Quarter 2015 versus First Quarter 2014	Full Year 2015 versus Full Year 2014
<b>Current Outlook</b>		
<b>System</b>		
Available seat miles	Increase 8.5% to 9.5%	Increase 9.0% to 10.0%
Seats dispatched	Increase 7.0% to 8.0%	Increase 6.0% to 7.0%
Average stage length	Increase approximately 1.5%	Increase approximately 3.0%
<b>Canada</b>		
Available seat miles		Increase 3.5% to 4.5%
Seats dispatched		Increase 2.5% to 3.5%
Average stage length		Increase approximately 1.0%
Adjusted CASM <sup>(1)</sup>	Increase 0.5% to 1.5%	Decrease 0.75% to 1.75%

	Major Assumptions – First Quarter 2015	Major Assumptions – Full Year 2015
<b>Major Assumptions</b>		
Canadian dollar per U.S. dollar	\$1.25	\$1.25
Jet fuel price – CAD cents per litre	66 cents	67 cents
Canadian economy	2015 Annualized Canadian GDP growth of 1.75% to 2.25%	Canadian GDP growth of 1.75% to 2.25%

For the full year 2015, Air Canada also expects:

- Depreciation, amortization and impairment expense to increase by \$100 million from the full year 2014. This projected increase mainly reflects the full year impact of aircraft acquired in 2014 and additional aircraft to be acquired in 2015.
- Employee benefits expense to increase by \$85 million from the full year 2014. This projected increase is mainly due to lower discount rate assumptions in 2015 when compared to 2014 which increases the current service cost of defined benefit pension plans.

- Aircraft maintenance expense to increase \$140 million (approximately \$80 million of which is expected to be due to the weaker Canadian dollar when compared to the U.S. dollar) from the full year 2014. This projected increase is also due to a higher planned volume of maintenance activity, the impact of increased flying hours on engine and component power-by-hour maintenance contracts, and applicable annual price escalations.

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

	<b>Full Year 2015 versus Full Year 2014</b>
Depreciation, amortization and impairment expense	Increase \$100 million
Employee benefits expense	Increase \$85 million
Aircraft maintenance expense	Increase \$140 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."

<sup>(1)</sup> **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 2014 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 its performance without the effects of foreign exchange, net financing expense on employee benefits, mark-to-market adjustments on fuel and other derivatives 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, 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, as such expenses may distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful.
- 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.

- 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 above paragraph), 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 2014 Audited Consolidated Financial Statements and Notes and its 2014 Management's Discussion and Analysis are available on Air Canada's website at [aircanada.com](http://aircanada.com), and will be filed on SEDAR at [www.sedar.com](http://www.sedar.com).

For further information on Air Canada's public disclosure file, including Air Canada's Annual Information Form dated March 28, 2014, consult SEDAR at [www.sedar.com](http://www.sedar.com).

### **Analyst Conference Call Advisory**

Air Canada will host its quarterly analysts' call today, February 11, 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 416-340-2218 or 1-866-225-0198

Live audio webcast: <http://bell.media-server.com/m/p/2xkh6bmq>

### **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.*

*Pension funding obligations under normal funding rules are generally dependent on a number of factors, including the assumptions used in the most recently filed actuarial valuation reports for current service (including the applicable discount rate used or assumed in the actuarial valuation), the plan demographics at the valuation date, the existing plan provisions, existing pension legislation and changes in economic conditions (mainly the return on fund assets and changes in interest rates). Actual contributions that are determined on the basis of future valuation reports filed annually may vary significantly from projections. In addition to changes in plan demographics and experience, actuarial assumptions and methods may be changed from one valuation to the next, including due to changes in plan experience, financial markets, future expectations, changes in legislation, regulatory requirements and other factors.*

*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, energy prices, currency exchange and 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.*

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## 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		
	2014	2013	\$ Change	2014	2013	\$ Change
<b>Financial Performance Metrics</b>						
Operating revenues	3,104	2,894	210	13,272	12,382	890
Operating income	106	135	(29)	815	619	196
Non-operating expense <sup>(1)</sup>	(206)	(141)	(65)	(710)	(617)	(93)
Net income (loss)	(100)	(6)	(94)	105	10	95
Adjusted net income <sup>(2)</sup>	67	3	64	531	340	191
Operating margin, excluding the impact of benefit plan amendments % <sup>(3)</sup>	3.4%	1.8%	1.6 pp	6.1%	4.3%	1.8 pp
Operating margin %	3.4%	4.7%	(1.3) pp	6.1%	5.0%	1.1 pp
EBITDAR, excluding the impact of benefit plan amendments <sup>(3)(4)</sup>	319	277	42	1,671	1,433	238
EBITDAR <sup>(4)</sup>	319	359	(40)	1,671	1,515	156
EBITDAR margin, excluding the impact of benefit plan amendments % <sup>(3)(4)</sup>	10.3%	9.6%	0.7 pp	12.6%	11.6%	1.0 pp
EBITDAR margin % <sup>(4)</sup>	10.3%	12.4%	(2.1) pp	12.6%	12.2%	0.4 pp
Unrestricted liquidity <sup>(5)</sup>	2,685	2,364	321	2,685	2,364	321
Free cash flow <sup>(6)</sup>	(366)	(276)	(90)	(560)	(231)	(329)
Adjusted net debt <sup>(7)</sup>	5,132	4,351	781	5,132	4,351	781
Return on invested capital ("ROIC") % <sup>(8)</sup>	12.1%	10.5%	1.6 pp	12.1%	10.5%	1.6 pp
Net income (loss) per share – diluted	\$ (0.35)	\$ (0.02)	\$ (0.33)	\$ 0.34	\$ 0.02	\$ 0.32
Adjusted net income per share – diluted <sup>(2)</sup>	\$ 0.23	\$ 0.01	\$ 0.22	\$ 1.81	\$ 1.20	\$ 0.61
<b>Operating Statistics <sup>(9)</sup></b>						
			<b>% Change</b>			<b>% Change</b>
Revenue passenger miles (millions) ("RPM")	14,090	12,883	9.4	61,616	56,791	8.5
Available seat miles (millions) ("ASM")	17,403	16,033	8.5	73,889	68,573	7.8
Passenger load factor %	81.0%	80.3%	0.6 pp	83.4%	82.8%	0.6 pp
Passenger revenue per RPM ("Yield") (cents)	19.2	19.6	(1.9)	18.9	19.1	(1.3)
Passenger revenue per ASM ("PRASM") (cents)	15.6	15.7	(1.2)	15.8	15.9	(0.6)
Operating revenue per ASM (cents)	17.8	18.1	(1.2)	18.0	18.1	(0.5)
Operating expense per ASM ("CASM"), excluding the impact of benefit plan amendments (cents)	17.2	17.7	(2.8)	16.9	17.3	(2.4)
Adjusted CASM (cents) <sup>(10)</sup>	12.1	12.1	-	11.3	11.6	(2.6)
Average number of full-time equivalent ("FTE") employees (thousands) <sup>(11)</sup>	24.1	24.2	(0.3)	24.4	24.5	(0.4)
Aircraft in operating fleet at period-end	364	352	3.4	364	352	3.4
Average fleet utilization (hours per day)	9.2	9.4	(1.4)	9.9	10.0	(0.9)
Seats dispatched (thousands)	11,948	11,246	6.2	49,351	46,832	5.4
Aircraft frequencies (thousands)	135	131	2.9	555	548	1.3
Average stage length (miles) <sup>(12)</sup>	1,457	1,426	2.2	1,497	1,464	2.3
Economic fuel cost per litre (cents) <sup>(13)</sup>	80.7	88.4	(8.7)	89.3	89.0	0.3
Fuel litres (millions)	992	943	5.2	4,213	3,993	5.5
Revenue passengers carried (thousands) <sup>(14)</sup>	9,189	8,499	8.1	38,526	35,761	7.7

- (1) *In the third quarter of 2013, Air Canada recorded an interest charge of \$95 million related to the purchase of its senior secured notes which were to become due in 2015 and 2016.*
- (2) *Adjusted net income (loss) and adjusted net income (loss) per share – diluted are non-GAAP financial measures. Refer to section 20 "Non-GAAP Financial Measures" of Air Canada's 2014 MD&A for additional information.*
- (3) *In the fourth quarter of 2013, Air Canada recorded an operating expense reduction of \$82 million related to amendments to defined benefit pension plans.*
- (4) *EBITDAR (earnings before interest, taxes, depreciation, amortization, impairment and aircraft rent) is a non-GAAP financial measure. Refer to section 20 "Non-GAAP Financial Measures" of Air Canada's 2014 MD&A for additional information.*
- (5) *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, 2014, unrestricted liquidity was comprised of cash and short-term investments of \$2,275 million and undrawn lines of credit of \$410 million. At December 31, 2013, unrestricted liquidity was comprised of cash and short-term investments of \$2,208 million and undrawn lines of credit of \$156 million.*
- (6) *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 9.5 "Consolidated Cash Flow Movements" of Air Canada's 2014 MD&A for additional information.*
- (7) *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 9.3 "Adjusted Net Debt" of Air Canada's 2014 MD&A for additional information.*
- (8) *Return on invested capital ("ROIC") is a non-GAAP financial measure. Refer to section 20 "Non-GAAP Financial Measures" of Air Canada's 2014 MD&A for additional information.*
- (9) *Operating statistics (except for average number of FTE employees) 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.*
- (10) *Adjusted CASM is a non-GAAP financial measure. Refer to section 20 "Non-GAAP Financial Measures" of Air Canada's 2014 MD&A for additional information.*
- (11) *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.*
- (12) *Average stage length is calculated by dividing the total number of available seat miles by the total number of seats dispatched.*
- (13) *Includes fuel handling expenses. Economic fuel price per litre is a non-GAAP financial measure. Refer to sections 6 and 7 "Results of Operations" of Air Canada's 2014 MD&A for additional information.*
- (14) *Revenue passengers are counted on a flight number basis which is consistent with the IATA definition of revenue passengers carried.*