AIR CANADA

News Release

Air Canada Reports 2018 Annual Results

- Operating income of $1.174 billion and EBITDAR of $2.851 billion
- Record operating revenues of $18.065 billion
- Leverage ratio of 2.1 and record unrestricted liquidity of $5.725 billion
- Q4 operating income of $122 million and record Q4 EBITDAR of $543 million

MONTRÉAL, February 15, 2019 – Air Canada today reported full year 2018 EBITDAR(1) (earnings before interest, taxes, depreciation, amortization, impairment and aircraft rent) of $2.851 billion compared to full year 2017 record EBITDAR of $2.928 billion. Air Canada reported an EBITDAR margin of 15.8 per cent, in line with its projections. Air Canada reported 2018 operating income of $1.174 billion compared to 2017 operating income of $1.371 billion. Adjusted pre-tax income(1) amounted to $952 million in 2018 compared to adjusted pre-tax income of $1.165 billion in 2017. On a GAAP basis, the airline reported net income of $167 million in 2018 compared to net income of $2.029 billion in 2017. The decrease of $1.862 billion in net income year-over-year is mainly due to an increase in net tax expense of $981 million, unfavourable foreign exchange results of $437 million and Air Canada having a recorded a loss on disposal of assets of $188 million in 2018.

“I am very pleased with Air Canada’s solid fourth quarter results with record EBITDAR of $543 million, and operating income of $122 million. These quarterly results showed an improvement over last year’s fourth quarter on many fronts – including passenger revenues, traffic and yield – and complete a strong fiscal year. Moreover, they demonstrate the resiliency of our business model and affirm that Air Canada has positioned itself for long-term, sustainable profitability. During the year, we successfully managed many challenges, including intensifying competition and a volatile fuel price environment which resulted in approximately $1 billion in additional costs or 30 per cent more than 2017,” said Calin Rovinescu, President and Chief Executive of Air Canada.

“Our strategy generated record operating revenues of more than $18 billion in 2018. Combined with a strong adjusted CASM performance, we ended the year with record unrestricted liquidity of more than $5.7 billion and a leverage ratio of 2.1, positioning us well on our path towards investment grade. The added financial flexibility these results give our company further bolsters our already confident outlook, based on current positive business trends.

“We carried a record 50.9 million customers in 2018, which is evidence of the success of our commercial strategy and the strength of the Air Canada brand. To further heighten our customer appeal, we are investing strategically in product and service enhancements, including a new enhanced reservation platform system planned to start operating later this year, a new loyalty program launching in 2020 to strengthen our recently completed Aimia Canada acquisition and our ongoing fleet renewal.

"Another outward sign of Air Canada's success in 2018 was the number of significant awards won by our airline, notably Eco-Airline of the Year, a global recognition, and, for the second consecutive year, Best Airline in North America from Skytrax. These and a variety of other talent and sustainability awards are proof of the professionalism and commitment of Air Canada's 30,000 employees, whom I thank for their hard work and dedication. I also thank our customers for their continued loyalty and for continuing to choose to fly Air Canada in record numbers," said Mr. Rovinescu.

Full Year Income Statement Highlights

In 2018, on capacity growth of 7.1 per cent, record system passenger revenues of $16.223 billion increased $1.63 billion or 11.2 per cent from 2017. The increase in system passenger revenues was driven by traffic growth of 8.5 per cent and a yield increase of 2.5 per cent. An increase in average stage length of 2.1 per cent had the effect of reducing system yield by 1.2 percentage points. On a stage-length adjusted basis, system yield increased 3.7 per cent year-over-year.

In the business cabin, system passenger revenues increased $376 million or 13.2 per cent from 2017 on traffic and yield growth of 9.4 per cent and 3.5 per cent, respectively.

In 2018, operating expenses of $16.891 billion increased $2.01 billion or 14 per cent from 2017, mainly driven by higher fuel prices year-over-year and by the increase in capacity.

Air Canada's cost per available seat mile (CASM) increased 6.0 per cent from 2017. The airline's adjusted CASM(1) increased 0.3 per cent from 2017, in line with the range of no increase to an increase of 0.75 per cent projected in Air Canada's October 31, 2018 news release.

Air Canada recorded adjusted net income(1) of $677 million or $2.45 per diluted share in 2018 compared to adjusted net income of $1.145 billion or $4.11 per diluted share in 2017. On a GAAP basis, the airline reported 2018 net income of $167 million or $0.60 per diluted share compared to 2017 net income of $2.029 billion or $7.31 per diluted share. In 2018, Air Canada recorded foreign exchange losses of $317 million and a loss on disposal of assets of $188 million. In 2017, Air Canada recorded a deferred income tax recovery of $759 million and foreign exchange gains of $120 million.

Fourth Quarter Income Statement Highlights

In the fourth quarter of 2018, on capacity growth of 5.8 per cent, record system passenger revenues of $3.795 billion increased $386 million or 11.3 per cent from the fourth quarter of 2017. The increase in system passenger revenues was driven by traffic growth of 7.2 per cent and a yield improvement of 3.8 per cent. An increase in average stage length of 1.2 per cent had the effect of reducing system yield by 0.7 percentage points. On a stage-length adjusted basis, fourth quarter system yield increased 4.5 per cent year-over-year.

In the business cabin, system passenger revenues increased $92 million or 12.5 per cent from the fourth quarter of 2017 on traffic and yield growth of 9.3 per cent and 2.9 per cent, respectively.

In the fourth quarter of 2018, operating expenses of $4.124 billion increased $437 million or 12 per cent from the fourth quarter of 2017, mainly driven by higher fuel prices year-over-year and the increase in capacity.

Air Canada's cost per available seat mile (CASM) increased 5.7 per cent from the fourth quarter of 2017. The airline's adjusted CASM increased 0.5 per cent from the fourth quarter of 2017, better than the 1.5 per cent to 2.5 per cent increase projected in Air Canada's news release dated October 31, 2018. Air Canada's better than expected adjusted CASM performance was largely due to lower aircraft maintenance expense, driven by a favourable annual adjustment related to end-of-lease maintenance provisions, as well as the timing of certain engine maintenance events.

Air Canada reported record EBITDAR of $543 million in the fourth quarter of 2018 versus the previous record EBITDAR of $521 million in the fourth quarter of 2017. On a GAAP basis, the airline reported fourth quarter 2018 operating income of $122 million compared to fourth quarter 2017 operating income of $133 million.

Adjusted pre-tax income amounted to $68 million in the fourth quarter of 2018 compared to adjusted pre-tax income of $77 million in the fourth quarter of 2017. On a GAAP basis, the airline recorded a loss before income taxes of $216 million in the fourth quarter of 2018 compared to income before income taxes of $20 million in the fourth quarter of 2017. The fourth quarter of 2018 included foreign exchange losses of $269 million while the fourth quarter of 2017 included foreign exchange losses of $62 million.

In the fourth quarter of 2018, Air Canada recorded adjusted net income of $54 million or $0.20 per diluted share compared to adjusted net income of $60 million or $0.22 per diluted share in the fourth quarter of 2017. On a GAAP basis, Air Canada reported a net loss of $231 million or $0.85 per diluted share in the fourth quarter of 2018 compared to net income of $8 million or $0.02 per diluted share in the fourth quarter of 2017.

Financial and Capital Management Highlights

At December 31, 2018, unrestricted liquidity (cash, short-term investments and undrawn lines of credit) amounted to a record $5.725 billion (December 31, 2017 – $4.181 billion).

At December 31, 2018, total long-term debt and finance leases (including current portion) of $6.652 billion increased $533 million from December 31, 2017. The unfavourable impact of a weaker Canadian dollar, as at December 31, 2018 compared to December 31, 2017, increased foreign currency denominated debt (mainly U.S. dollars) by $501 million. New borrowings of $1.210 billion were largely offset by debt repayments of $1.167 billion.

At December 31, 2018, adjusted net debt of $5.858 billion decreased $258 million from December 31, 2017 as increases in long-term debt and finance lease balances of $533 million and capitalized operating lease balances of $112 million were more than offset by an increase in cash and short-term investment balances of $903 million. At December 31, 2018, Air Canada's leverage ratio was 2.1, unchanged from December 31, 2017.

Net cash flows from operating activities of $2.695 billion decreased $43 million compared to 2017. In 2018, free cash flow of $791 million decreased $265 million from 2017 and exceeded the $500 million to $600 million range projected in Air Canada's news release dated October 31, 2018. The better than expected free cash flow can be attributed to a combination of lower than projected capital expenditures, better than expected cash from working capital and stronger than anticipated income from operations.

For the 12 months ended December 31, 2018, return on invested capital (ROIC(1)) was 12.6 per cent, in line with approximately 12 per cent ROIC projected in Air Canada's October 31, 2018 news release, and significantly higher than Air Canada's weighted average cost of capital of 7.2 per cent.

Outlook

With the adoption of accounting standard IFRS 16 "Leases" on January 1, 2019 and the acquisition of Aimia Canada Inc. on January 10, 2019, the 2017 Investor Day targets for annual EBITDAR margin, annual ROIC, cumulative free cash flow and leverage ratio are no longer relevant. Updated targets are being reviewed and will be announced in conjunction with Air Canada's 2019 Investor Day scheduled for February 28, 2019.

Following the closing of Air Canada's acquisition of Aimia Canada Inc., Aimia Canada changed its name to Aeroplan Inc. Air Canada began consolidating Aeroplan's results on the January 10, 2019 acquisition date. Given that the Aeroplan loyalty business was not consolidated in Air Canada's financial results in 2018, for comparative purposes, Air Canada's adjusted CASM guidance for 2019 excludes any impact of Aeroplan.

The following outlook includes the impact of the new accounting standard IFRS 16 "Leases". The guidance for 2019 is compared to restated 2018 financial results. Refer to section 14 "Accounting Policies" of Air Canada's 2018 MD&A for additional information on the estimated impacts of the adoption of IFRS 16 "Leases".

First Quarter and Full Year 2019 Adjusted CASM

For the first quarter of 2019, Air Canada expects adjusted CASM (which excludes fuel expense, the cost of ground packages at Air Canada Vacations, the operating expenses of Aeroplan, and special items) to increase between 2.0 to 3.0 per cent when compared to the first quarter of 2018.

Air Canada expects full year 2019 adjusted CASM to increase between 2.0 and 3.0 when compared to the full year 2018.

Additional Guidance

Except as stated below, the following guidance includes the impact of Aeroplan.

For the full year 2019:

Depreciation, Amortization and Impairment Expense

Air Canada expects depreciation, amortization and impairment expense to increase by approximately $225 million from the full year 2018. This increase includes the impact of Aeroplan except for the amortization expense related to the fair value of intangible assets recorded upon the acquisition of Aeroplan. Such amount will be determined and reported with the first quarter 2019 results.

Employee Benefits Expense

Air Canada expects employee benefits expense to increase by approximately $25 million from the full year 2018.

<u>Aircraft Maintenance Expense</u>

Air Canada expects aircraft maintenance expense to increase by approximately $80 million from the full year 2018.

2019 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 the first quarter and full year 2019. Air Canada also expects that the Canadian dollar will trade, on average, at C$1.32 per U.S. dollar in the first quarter and for the full year 2019 and that the price of jet fuel will average 77 CAD cents per litre in the first quarter and 82 CAD cents per litre for the full year 2019.

The following table summarizes the above-mentioned outlook for the first quarter and the full year 2019 and related major assumptions:

	First Quarter 2019 versus First Quarter 2018	**Full Year 2019 versus Full Year 2018**
Adjusted CASM (excluding Aeroplan)	Increase of 2.0% to 3.0%	Increase of 2.0% to 3.0%
Depreciation, Amortization and Impairment Expense (including Aeroplan but excluding Aeroplan acquisition accounting)		Increase of $225 million
Employee Benefits Expense (including Aeroplan)		Increase of $25 million
Aircraft Maintenance Expense		Increase of $80 million
Major Assumptions	**First Quarter 2019**	**Full Year 2019**
Canadian GDP	Relatively modest growth	Relatively modest growth
Canadian dollar per U.S. dollar	$1.32	$1.32
Jet fuel price – CAD cents per litre	77	82

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 2018 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, gains or losses on financial instruments recorded at fair value, gains or losses on sale and leaseback of assets, gains or losses on debt settlements and modifications, gains or losses on disposal of assets, and special items as these items 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 (loss) is determined net of tax.

- 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, gains or losses on financial instruments recorded at fair value, gains or losses on sale and leaseback of assets, gains or losses on debt settlements and modifications, gains or losses on disposal of assets, and special items as these items may distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful. Air Canada uses adjusted pre-tax income (loss) before interest 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 these items may 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®, the operating costs of Aeroplan, 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. Following the completion of Air Canada's acquisition of Aeroplan on January 10, 2019, Air Canada began consolidating Aeroplan's results. Given that the Aeroplan loyalty business was not consolidated in Air Canada's financial results in 2018, for comparative purposes, Air Canada's adjusted CASM guidance for 2019 excludes any impact of Aeroplan.

- "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 these items may 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, net of excess cash not required to run its core business operations, and the value of capitalized operating leases (the latter calculated by multiplying annualized aircraft rent by 7). Air Canada calculates invested capital based on a book value-based method of calculating ROIC, as described above. Refer to the definition of adjusted pre-tax income (loss) for a discussion as to why Air Canada uses adjusted pre-tax income (loss) to assess the overall pre-tax financial performance of its business.

Air Canada's 2018 Consolidated Financial Statements and Notes and its 2018 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 19, 2018, consult SEDAR at **www.sedar.com**.

Fourth Quarter Analyst Conference Call Advisory

Air Canada will host its quarterly analysts' call today, February 15, 2019 at 08:30 E.T. Calin Rovinescu, President and Chief Executive Officer, Michael Rousseau, Deputy Chief Executive Officer and Chief Financial Officer, and Lucie Guillemette, Executive Vice President and Chief Commercial Officer, will be available for analysts' questions. Immediately following the analysts' Q&A session, Mr. Rousseau and Pierre Houle, Managing Director and Treasurer, will be available to answer questions from term loan B lenders and holders of Air Canada's bonds. Media and the public may access this call on a listen-in basis. Details are as follows:

Dial 416-340-2219 or 1-800-377-0758

Live audio webcast: **https://edge.media-server.com/m6/p/qgdbnrfu**

IFRS 16 Leases Information Session Conference Call Advisory

Chris Isford, Vice President and Controller, and Kathleen Murphy, Director, Investor Relations and Corporate Reporting, will host a conference call on February 21, 2019 at 10:00 E.T. to discuss Air Canada's accounting policy changes under IFRS 16 Leases and the related accounting impacts as well as answer questions from analysts about this accounting standard change. Media and the public may access the webcast or this call on a listen-only basis. Details are as follows:

Dial 416-406-0743 or 1-800-806-5484

Passcode: 8649781#

Live audio webcast: **https://bell.media-server.com/m6/p/zrpfk2cm**

The presentation slides will be available on Air Canada's website and are intended to be viewed and followed along with the conference call/webcast:

https://www.aircanada.com/ca/en/aco/home/about/media/speeches-presentations.html

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 successfully implement appropriate strategic initiatives or reduce operating costs, our ability to successfully integrate and operate the Aeroplan loyalty *business following its acquisition from Aimia Inc. and to successfully launch our new loyalty program, our ability to preserve and grow our brand, airport user and related fees, high levels of fixed costs, our dependence on key suppliers including regional carriers, employee and labour relations and costs, our dependence on Star Alliance and joint ventures, interruptions of service, environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), our ability to pay our indebtedness and maintain liquidity, pension issues, limitations due to restrictive covenants, pending and future litigation and actions by third parties, our ability to attract and retain required personnel, war, terrorist acts, casualty losses, changes in laws, regulatory developments or proceedings, epidemic diseases, insurance issues and costs, 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 2018 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.*

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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		
	2018	2017 (1)	$ Change	2018	2017 (1)	$ Change
Financial Performance Metrics						
Operating revenues	4,246	3,820	426	18,065	16,252	1,813
Operating income	122	133	(11)	1,174	1,371	(197)
Income (loss) before income taxes	(216)	20	(236)	405	1,286	(881)
Net income (loss)	(231)	8	(239)	167	2,029	(1,862)
Adjusted pre-tax income (2)	68	77	(9)	952	1,165	(213)
Adjusted net income (2)	54	60	(6)	677	1,145	(468)
Operating margin %	2.9%	3.5%	(0.6) pp	6.5%	8.4%	(1.9) pp
EBITDAR (excluding special items) (2)	543	521	22	2,851	2,928	(77)
EBITDAR margin (excluding special items) % (2)	12.8%	13.6%	(0.8) pp	15.8%	18.0%	(2.2) pp
Unrestricted liquidity (3)	5,725	4,181	1,544	5,725	4,181	1,544
Net cash flows from operating activities	360	389	(29)	2,695	2,738	(43)
Free cash flow (2)	141	(43)	184	791	1,056	(265)
Adjusted net debt (2)	5,858	6,116	(258)	5,858	6,116	(258)
Return on invested capital ("ROIC") % (2)	12.6%	15.3%	(2.7) pp	12.6%	15.3%	(2.7) pp
Leverage ratio (2)	2.1	2.1	-	2.1	2.1	-
Diluted earnings per share	$ (0.85)	$ 0.02	$ (0.87)	$ 0.60	$ 7.31	$ (6.71)
Adjusted earnings per share – diluted (2)	$ 0.20	$ 0.22	$ (0.02)	$ 2.45	$ 4.11	$ (1.66)
Operating Statistics (4)			**% Change**			**% Change**
Revenue passenger miles ("RPM") (millions)	20,801	19,396	7.2	92,360	85,137	8.5
Available seat miles ("ASM") (millions)	25,598	24,191	5.8	110,866	103,492	7.1
Passenger load factor %	81.3%	80.2%	1.1 pp	83.3%	82.3%	1.0 pp
Passenger revenue per RPM ("Yield") (cents)	18.2	17.6	3.8	17.6	17.1	2.5
Passenger revenue per ASM ("PRASM") (cents)	14.8	14.1	5.2	14.6	14.1	3.8
Operating revenue per ASM (cents)	16.6	15.8	5.1	16.3	15.7	3.8
Operating expense per ASM ("CASM") (cents)	16.1	15.2	5.7	15.2	14.4	6.0
Adjusted CASM (cents) (2)	11.4	11.3	0.5	10.6	10.6	0.3
Average number of full-time equivalent ("FTE") employees (thousands) (5)	30.5	28.3	7.6	29.9	27.8	7.4
Aircraft in operating fleet at period-end	400	395	1.3	400	395	1.3
Average fleet utilization (hours per day)	9.7	9.7	(0.1)	10.4	10.4	0.1
Seats dispatched (thousands)	15,185	14,522	4.6	63,800	60,820	4.9
Aircraft frequencies (thousands)	137.7	138.4	(0.5)	578.9	569.6	1.6
Average stage length (miles) (6)	1,686	1,666	1.2	1,738	1,702	2.1
Fuel cost per litre (cents)	84.3	67.5	24.8	80.4	62.6	28.4
Fuel litres (thousands)	1,293,063	1,254,111	3.1	5,597,232	5,331,888	5.0
Revenue passengers carried (thousands) (7)	11,909	11,314	5.3	50,904	48,126	5.8

(1) Air Canada adopted accounting standard IFRS 15 - Revenue from Contracts with Customers effective January 1, 2018 with restatement of 2017 amounts.

(2) 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 8 and 20 of Air Canada's 2018 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 section 6 of Air Canada's 2018 MD&A for information on the special items.

(3) Unrestricted liquidity refers to the sum of cash, cash equivalents and short-term investments and the amount of available credit under Air Canada's revolving credit facilities. At December 31, 2018, unrestricted liquidity was comprised of cash, cash equivalents and short-term investments of $4,707 million and undrawn lines of credit of $1,018 million. At December 31, 2017, unrestricted liquidity was comprised of cash, cash equivalents and short-term investments of $3,804 million and undrawn lines of credit of $377 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 Ltd. ("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 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.