



First Quarter 2024

INTERIM UNAUDITED
Condensed Consolidated
Financial Statements and Notes



May 2, 2024



A STAR ALLIANCE MEMBER 

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited (Canadian dollars in millions)	March 31, 2024	December 31, 2023
ASSETS		
Current		
Cash and cash equivalents	\$ 2,716	\$ 2,817
Short-term investments	5,172	5,734
Total cash, cash equivalents and short-term investments	7,888	8,551
Accounts receivable	1,185	1,121
Aircraft fuel inventory	136	169
Spare parts and supplies inventory	178	168
Prepaid expenses and other current assets	364	251
Total current assets	9,751	10,260
Investments, deposits and other assets	1,057	1,009
Property and equipment	12,019	11,933
Pension assets	2,469	2,588
Deferred income tax	53	50
Intangible assets	1,092	1,084
Goodwill	3,273	3,273
Total assets	\$ 29,714	\$ 30,197
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 3,439	\$ 3,328
Advance ticket sales	5,375	4,341
Aeroplan and other deferred revenue	1,482	1,473
Current portion of long-term debt and lease liabilities	1,214	866
Total current liabilities	11,510	10,008
Long-term debt and lease liabilities	11,248	12,996
Aeroplan and other deferred revenue	2,941	2,989
Pension and other benefit liabilities	1,797	1,875
Maintenance provisions	1,266	1,227
Other long-term liabilities	174	233
Deferred income tax	73	73
Total liabilities	\$ 29,009	\$ 29,401
SHAREHOLDERS' EQUITY		
Share capital	2,744	2,744
Contributed surplus	139	133
Accumulated other comprehensive loss	(65)	(57)
Deficit	(2,113)	(2,024)
Total shareholders' equity	705	796
Total liabilities and shareholders' equity	\$ 29,714	\$ 30,197

The accompanying notes are an integral part of the condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited (Canadian dollars in millions except per share figures)		Three months ended March 31	
		2024	2023
Operating revenues			
Passenger	Note 8	\$ 4,443	\$ 4,088
Cargo	Note 8	215	238
Other		568	561
Total revenues		5,226	4,887
Operating expenses			
Aircraft fuel		1,254	1,375
Wages, salaries and benefits		1,108	914
Depreciation and amortization		442	428
Airport and navigation fees		348	312
Sales and distribution costs		266	273
Capacity purchase fees		208	216
Aircraft maintenance		315	261
Ground package costs		335	318
Communications and information technology		186	146
Catering and onboard services		155	128
Other		598	533
Total operating expenses		5,215	4,904
Operating income (loss)		11	(17)
Non-operating income (expense)			
Foreign exchange gain		59	127
Interest income		125	83
Interest expense	Note 3	(217)	(245)
Interest capitalized		7	5
Financial instruments recorded at fair value	Note 7	11	38
Loss on debt settlements	Note 3	(46)	–
Other		(15)	(14)
Total non-operating expense		(76)	(6)
Income (loss) before income taxes		(65)	(23)
Income tax recovery (expense)	Note 4	(16)	27
Net income (loss) for the period		\$ (81)	\$ 4
Net income (loss) per share			
Basic earnings (loss) per share	Note 5	\$ (0.22)	\$ 0.01
Diluted earnings (loss) per share		\$ (0.22)	\$ (0.03)

The accompanying notes are an integral part of the condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Unaudited (Canadian dollars in millions)	Three months ended March 31	
	2024	2023
Comprehensive income (loss)		
Net income (loss) for the period	\$ (81)	\$ 4
Other comprehensive income (loss), net of tax:	Note 4	
Items that will not be reclassified to net income		
Remeasurements on net employee benefits	(8)	31
Remeasurements on equity investments	(8)	(1)
Total comprehensive income (loss)	\$ (97)	\$ 34

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

Unaudited (Canadian dollars in millions)	Share capital	Contributed surplus	Accumulated OCI	Deficit	Total shareholders' equity (deficiency)
January 1, 2023	\$ 2,743	\$ 118	\$ (46)	\$ (4,370)	\$ (1,555)
Net income (loss)	–	–	–	4	4
Remeasurements on net employee benefits	–	–	–	31	31
Remeasurements on equity investments	–	–	(1)	–	(1)
Total comprehensive income (loss)	–	–	(1)	35	34
Share-based compensation	–	6	–	–	6
Shares issued	1	–	–	–	1
March 31, 2023	\$ 2,744	\$ 124	\$ (47)	\$ (4,335)	\$ (1,514)
January 1, 2024	\$ 2,744	\$ 133	\$ (57)	\$ (2,024)	\$ 796
Net income (loss)	–	–	–	(81)	(81)
Remeasurements on net employee benefits	–	–	–	(8)	(8)
Remeasurements on equity investments	–	–	(8)	–	(8)
Total comprehensive income (loss)	–	–	(8)	(89)	(97)
Share-based compensation	–	6	–	–	6
Shares issued	–	–	–	–	–
March 31, 2024	\$ 2,744	139	(65)	(2,113)	705

The accompanying notes are an integral part of the condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

Unaudited (Canadian dollars in millions)	Three months ended March 31	
	2024	2023 Restated – Note 2
Cash flows from (used in)		
Operating		
Net income (loss) for the period	\$ (81)	\$ 4
Adjustments to reconcile to net cash from operations		
Deferred income tax	Note 4	11
Depreciation and amortization		442
Foreign exchange (gain) loss		(1)
Employee benefit funding less than expense		22
Financial instruments recorded at fair value	Note 7	(11)
Loss on debt settlements	Note 3	46
Change in maintenance provisions		45
Changes in non-cash working capital balances		1,130
Other		(11)
Net cash flows from operating activities	1,592	1,437
Financing		
Proceeds from borrowings	Note 3	1,590
Reduction of long-term debt and lease liabilities	Note 3	(3,265)
Issue of shares		–
Financing fees	Note 3	(30)
Net cash flows used in financing activities	(1,705)	(292)
Investing		
Short-term investments, net		449
Disposals of long-term investments		559
Purchases of long-term investments		(465)
Additions to property, equipment and intangible assets		(536)
Other		–
Net cash flows from (used in) investing activities	7	(749)
Effect of exchange rate changes on cash and cash equivalents	5	1
Increase (decrease) in cash and cash equivalents	(101)	397
Cash and cash equivalents, beginning of period	2,817	2,693
Cash and cash equivalents, end of period	\$ 2,716	\$ 3,090
Cash payments of interest	Note 3	\$ 271
Cash payments of income taxes		\$ 1
		\$ 265
		\$ 35

The accompanying notes are an integral part of the condensed consolidated financial statements.

Notes to the interim condensed consolidated financial statements (unaudited)
(Canadian dollars except where otherwise indicated)

1. GENERAL INFORMATION

The accompanying unaudited interim condensed consolidated financial statements (the “financial statements”) are of Air Canada (the “Corporation”). The term “Corporation” also refers to, as the context may require, Air Canada and/or one or more of its subsidiaries, including its principal wholly-owned operating subsidiaries, Aeroplan Inc. (“Aeroplan”), Touram Limited Partnership doing business under the brand name Air Canada Vacations® (“Air Canada Vacations”), and Air Canada Rouge LP doing business under the brand name Air Canada Rouge® (“Air Canada Rouge”).

Air Canada is incorporated and domiciled in Canada. The address of its registered office is 7373 Côte-Vertu Boulevard West, Saint-Laurent, Quebec.

The Corporation has historically experienced greater demand for its services in the second and third quarters of the calendar year, primarily due to the high number of leisure travellers and their preference for travel during the spring and summer months. The financial results for the three months ended March 31, 2024 are not necessarily indicative of financial results for the entire year.

2. BASIS OF PRESENTATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES

The Corporation prepares its financial statements in accordance with generally accepted accounting principles in Canada (“GAAP”) as set out in the CPA Canada Handbook – Accounting (“CPA Handbook”) which incorporates International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”). These financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 “Interim Financial Reporting”. In accordance with GAAP, these financial statements do not include all the financial statement disclosures required for annual financial statements and should be read in conjunction with the Corporation’s annual consolidated financial statements for the year ended December 31, 2023. In management’s opinion, the financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim period presented.

These financial statements were approved for issue by the Board of Directors of the Corporation on May 1, 2024.

Certain comparative figures on the statement of cash flow related to investing activities have been reclassified to conform to the financial statement presentation adopted for the current year.

These financial statements are based on the accounting policies consistent with those disclosed in Note 2 to the 2023 annual consolidated financial statements except as otherwise described below.

Amendments to IAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current.

In October 2022, the IASB published amendments to the Classification of Liabilities as Current or Non-current in IAS 1 Presentation of Financial Statements. The amendments aim to improve the information companies provide when the right to defer settlement of a liability for at least 12 months is subject to the entity complying with covenants after the reporting date. The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. The amendments require an entity to disclose information about these covenants in the notes to the financial statements. The amendments are effective for annual periods beginning on or after January 1, 2024. The Corporation adopted this amendment with no impact to the Corporation’s consolidated statement of financial position.

3. LONG-TERM DEBT AND LEASE LIABILITIES

	Final Maturity	Weighted Average Interest Rate (%)	March 31, 2024 (Canadian dollars in millions)	December 31, 2023 (Canadian dollars in millions)
Aircraft financing				
Fixed rate U.S. dollar financing	2025 – 2030	5.03	\$ 2,883	\$ 2,877
Floating rate U.S. dollar financing	2027	7.68	285	296
Fixed rate CDN dollar financing	2026 – 2030	3.78	165	165
Fixed rate Japanese yen financing	2027	1.84	105	110
Convertible notes	2025	4.00	341	327
Credit facility – CDN dollar	2028	1.21	1,101	1,091
Senior secured notes – CDN dollar	2029	4.63	2,000	2,000
Senior secured notes – U.S. dollar	2026	3.88	1,625	1,589
Senior secured credit facility – U.S. dollar	2031	7.83	1,591	3,000
Long-term debt		4.77	10,096	11,455
Lease liabilities				
Air Canada aircraft	2024 – 2031	5.28	1,334	1,377
Regional aircraft	2025 – 2035	5.66	692	711
Land and buildings	2024 – 2078	5.68	447	449
Lease liabilities		5.46	2,473	2,537
Total debt and lease liabilities		4.91	12,569	13,992
Unamortized debt issuance costs and discounts				
			(107)	(130)
Current portion – Long-term debt				
			(694)	(359)
Current portion – Air Canada aircraft				
			(345)	(337)
Current portion – Regional aircraft				
			(149)	(144)
Current portion – Land and buildings				
			(26)	(26)
Long-term debt and lease liabilities			\$ 11,248	\$ 12,996

The above table provides terms of instruments disclosed in Note 8 to the 2023 annual consolidated financial statements of the Corporation as well as financing activities concluded during the three months ended March 31, 2024 and described below.

In March 2024, Air Canada entered into US\$2.15 billion senior secured credit facilities, comprised of a US\$1.175 billion term loan B maturing in 2031 and a US\$975 million revolving credit facility maturing in 2029. The aggregate gross proceeds of the new term loan, together with cash from Air Canada's balance sheet of US\$1.09 billion, were applied to refinance all of Air Canada's indebtedness outstanding under its previous US\$2.265 billion term loan B maturing in 2028. The new term loan bears interest at SOFR (Secured Overnight Financing Rate) plus 250 basis points. The new revolving facility, which is the result of an increase and extension of Air Canada's existing US\$600 million revolving credit facility previously maturing in 2025, is undrawn as of March 31, 2024. Concurrently with the closing of these new senior credit facilities, Air Canada also terminated its undrawn \$200 million revolving credit facility maturing in 2026. The Corporation recorded a loss of \$46 million on debt settlements related to the write-off of unamortized debt issuance costs associated with the extinguished debt instruments.

Air Canada's obligations under the new senior credit facilities are senior secured obligations of Air Canada, secured on a first-lien basis, subject to certain permitted liens and exclusions, by certain collateral comprised of substantially all of Air Canada's international routes, airport slots and gate leaseholds.

The Corporation has recorded Interest expense as follows:

(Canadian dollars in millions)	Three months ended March 31	
	2024	2023
Interest on debt	\$ 181	\$ 205
Interest on lease liabilities		
Air Canada aircraft	20	22
Regional aircraft	10	13
Land and buildings	6	5
Interest expense	\$ 217	\$ 245

The consolidated statement of operations includes the following amounts related to leases which have not been recorded as right-of-use assets and lease liabilities.

(Canadian dollars in millions)	Three months ended March 31	
	2024	2023
Short-term leases	\$ 4	\$ 3
Variable lease payments not included in lease liabilities	16	10
Expense related to leases (included in Other operating expenses)	\$ 20	\$ 13

Total cash outflows for payments on lease liabilities was \$162 million for the three months ended March 31, 2024 (\$179 million for the three months ended March 31, 2023), of which \$126 million was for principal repayments (\$139 million for the three months ended March 31, 2023).

Maturity Analysis

Principal and interest repayment requirements as at March 31, 2024 on Long-term debt and lease liabilities are as follows. U.S. dollar amounts are converted using the March 31, 2024 closing rate of CDN\$1.354.

Principal (Canadian dollars in millions)	Remainder of 2024	2025	2026	2027	2028	Thereafter	Total
Long-term debt obligations ⁽¹⁾	\$ 274	1,100	2,373	1,032	1,361	4,158	10,298
Air Canada aircraft	262	331	270	216	147	108	1,334
Regional aircraft	112	142	51	40	40	307	692
Land and buildings	20	27	27	28	27	318	447
Lease liabilities	\$ 394	500	348	284	214	733	2,473
Total long-term debt and lease liabilities	\$ 668	1,600	2,721	1,316	1,575	4,891	12,771

Interest (Canadian dollars in millions)	Remainder of 2024	2025	2026	2027	2028	Thereafter	Total
Long-term debt obligations ⁽¹⁾	\$ 317	458	401	305	246	387	2,114
Air Canada aircraft	54	56	40	27	16	7	200
Regional aircraft	26	27	21	18	16	56	164
Land and buildings	18	23	21	20	18	221	321
Lease liabilities	\$ 98	106	82	65	50	284	685
Total long-term debt and lease liabilities	\$ 415	564	483	370	296	671	2,799

(1) Assumes the principal balance of the convertible notes, \$371 million (US\$274 million) remains unconverted and includes estimated interest payable until maturity in 2025. The full principal balance of \$1,273 million for the unsecured credit facility accessed in 2021 to support customers refunds of non-refundable tickets is included.

Principal repayments in the table above exclude discounts and transaction costs of \$107 million, which are offset against Long-term debt and lease liabilities in the consolidated statement of financial position.

Cash flows from financing activities

Information on the change in liabilities for which cash flows have been classified as financing activities in the statement of cash flows is presented below.

(Canadian dollars in millions)	Cash Flows				Non-Cash Changes			Mar. 31, 2024
	Jan. 1, 2024	Borrowings	Repayments	Financing fees	Foreign exchange adjustments	Amortization of financing fees and other adjustments	New lease liabilities (new and modified contracts)	
Long-term debt	\$ 11,455	\$ 1,590	\$ (3,139)	\$ -	\$ 174	\$ 16	\$ -	\$ 10,096
Air Canada aircraft	1,377	-	(85)	-	30	-	12	1,334
Regional aircraft	711	-	(35)	-	16	-	-	692
Land and buildings	449	-	(6)	-	1	-	3	447
Lease liabilities	2,537	-	(126)	-	47	-	15	2,473
Unamortized debt issuance costs and other adjustments	(130)	-	-	(30)	-	53	-	(107)
Total liabilities from financing activities	\$ 13,862	\$ 1,590	\$ (3,265)	\$ (30)	\$ 221	\$ 69	\$ 15	\$ 12,462

4. INCOME TAXES

Income Tax Recovery (Expense)

Income tax recorded in the consolidated statement of operations is presented below.

(Canadian dollars in millions)	Three months ended March 31	
	2024	2023
Current income tax recovery (expense)	\$ (5)	\$ (2)
Deferred income tax recovery (expense)	(11)	29
Income tax recovery (expense)	\$ (16)	\$ 27

The Corporation's statutory tax rate for the three months ended March 31, 2024 was 26.46% (26.47% for the three months ended March 31, 2023).

Income tax recorded in the consolidated statement of comprehensive income (loss) is presented below.

(Canadian dollars in millions)	Three months ended March 31	
	2024	2023
Remeasurements on net employee benefits		
- current income tax recovery (expense)	\$ -	\$ (1)
- deferred income tax recovery (expense)	14	(21)
Income tax recovery (expense)	\$ 14	\$ (22)

5. EARNINGS (LOSS) PER SHARE

The following table outlines the calculation of basic and diluted earnings (loss) per share.

(in millions, except per share amounts)	Three months ended March 31	
	2024	2023
Numerator:		
Net income (loss) for the period	\$ (81)	\$ 4
Effect of assumed conversion of convertible notes	15	(15)
Remove anti-dilutive impact	(15)	-
Adjusted numerator for diluted loss per share	\$ (81)	\$ (11)
Denominator:		
Weighted-average shares	358	358
Effect of potential dilutive securities:		
Stock options	-	-
Convertible notes	18	18
Remove anti-dilutive impact	(18)	-
Adjusted denominator for diluted loss per share	358	376
Basic earnings (loss) per share	\$ (0.22)	\$ 0.01
Diluted earnings (loss) per share	\$ (0.22)	\$ (0.03)

The calculation of earnings (loss) per share is based on whole numbers and not on rounded millions. As a result, the above amounts may not be recalculated to the per share amount disclosed above.

6. CAPITAL COMMITMENTS

Capital commitments consist of the future firm aircraft deliveries and commitments related to acquisition of other property and equipment. The estimated aggregate cost of aircraft is based on delivery prices that include estimated escalation. U.S. dollar amounts are converted using the March 31, 2024 closing rate of CDN\$1.354. Minimum future commitments under these contractual arrangements are shown below.

(Canadian dollars in millions)	Remainder of 2024	2025	2026	2027	2028	Thereafter	Total
Capital commitments	\$ 1,482	2,420	4,453	1,306	673	2,237	12,571

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Refer also to Note 16 to the 2023 annual consolidated financial statements for information on the Corporation's risk management strategy.

Summary of Gain on financial instruments recorded at fair value

(Canadian dollars in millions)	Three months ended March 31	
	2024	2023
Embedded derivative on convertible notes	\$ 3	\$ 24
Short-term and long-term investments	8	14
Gain on financial instruments recorded at fair value	\$ 11	\$ 38

Foreign Exchange Risk Management

As at March 31, 2024, the Corporation had outstanding foreign currency options and swap agreements, settling in 2024 and 2025, to purchase at maturity \$7,705 million (US\$5,735 million) of U.S. dollars at a weighted average rate of \$1.3212 per \$1.00 U.S. dollar (as at December 31, 2023 – \$5,982 million (US\$4,542 million) with settlements in 2024 and 2025 at a weighted average rate of \$1.3089 per \$1.00 U.S. dollar).

The hedging structures put in place have various option pricing features, such as knock-out terms and profit cap limitations, and based on the assumed volatility used in the fair value calculation, the net fair value of these foreign currency contracts as at March 31, 2024 was \$66 million in favour of the Corporation (as at December 31, 2023 – \$165 million in favour of the counterparties). These derivative instruments have not been designated as hedges for accounting purposes and are recorded at fair value. During the first quarter of 2024, foreign exchange gain (loss) related to these derivatives was \$290 million gain (\$80 million gain in the first quarter of 2023). In the first quarter of 2024, foreign exchange derivative contracts cash settled with a net fair value of \$59 million in favour of the Corporation (\$43 million in the first quarter of 2023 in favour of the Corporation).

Financial Instrument Fair Values in the Consolidated Statement of Financial Position

The carrying amounts reported in the consolidated statement of financial position for short-term financial assets and liabilities, which includes Accounts receivable and Accounts payable and accrued liabilities, approximate fair values due to the immediate or short-term maturities of these financial instruments. Cash equivalents and short and long-term investments are classified as held for trading and therefore are recorded at fair value.

The carrying amounts of derivatives are equal to their fair value, which is based on the amount at which they could be settled based on estimated market rates as at March 31, 2024.

Management estimated the fair value of its long-term debt based on valuation techniques including discounted cash flows, taking into account market information and traded values where available, market rates of interest, the condition of any related collateral, the current conditions in credit markets and the current estimated credit margins applicable to the Corporation based on recent transactions. Based on significant unobservable inputs (Level 3 in the fair value hierarchy), the estimated fair value of debt is \$9,761 million compared to its carrying value of \$10,096 million.

The following is a classification of fair value measurements recognized in the consolidated statement of financial position using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. There are no changes in classifications or methods of measuring fair value from those disclosed in Note 16 to the 2023 annual consolidated financial statements. There were no transfers within the fair value hierarchy during the three months ended March 31, 2024.

	March 31, 2024	Fair value measurements at reporting date using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
(Canadian dollars in millions)				
Financial Assets				
Held-for-trading securities				
Cash equivalents	\$ 289	–	289	\$ –
Short-term investments	5,172	–	5,172	–
Long-term investments	793	–	793	–
Equity investment in Chorus	32	32	–	–
Derivative instruments				
Foreign exchange derivatives	72	–	72	–
Total	\$ 6,358	32	6,326	\$ –
Financial Liabilities				
Derivative instruments				
Foreign exchange derivatives	6	–	6	–
Embedded derivative on convertible notes	53	–	53	–
Total	\$ 59	–	59	\$ –

Financial assets held by financial institutions in the form of cash and restricted cash have been excluded from the fair value measurement classification table above, as they are not valued using a valuation technique.

8. GEOGRAPHIC INFORMATION

A reconciliation of the total amounts reported by geographic region for Passenger revenues and Cargo revenues on the consolidated statement of operations is as follows:

Passenger Revenues (Canadian dollars in millions)	Three months ended March 31	
	2024	2023
Canada	\$ 1,121	\$ 1,064
U.S. Transborder	1,039	966
Atlantic	975	924
Pacific	671	492
Other	637	642
	\$ 4,443	\$ 4,088

Cargo Revenues (Canadian dollars in millions)	Three months ended March 31	
	2024	2023
Canada	\$ 25	\$ 24
U.S. Transborder	12	11
Atlantic	84	119
Pacific	62	49
Other	32	35
	\$ 215	\$ 238

Passenger and cargo revenues are based on the actual flown revenue for flights with an origin and destination in a specific country or region. Atlantic revenues refer to flights that cross the Atlantic Ocean with origins and destinations principally in Europe, India, the Middle East and North Africa. Pacific revenues refer to flights that cross the Pacific Ocean with origins and destinations principally in Asia and Australia. Other passenger and cargo revenues refer to flights with origins and destinations principally in Central and South America and the Caribbean and Mexico.