



Second Quarter 2024

INTERIM UNAUDITED
Condensed Consolidated
Financial Statements and Notes



August 7, 2024



A STAR ALLIANCE MEMBER 

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited (Canadian dollars in millions)	June 30, 2024	December 31, 2023
ASSETS		
Current		
Cash and cash equivalents	\$ 3,021	\$ 2,817
Short-term investments	5,111	5,734
Total cash, cash equivalents and short-term investments	8,132	8,551
Accounts receivable	1,264	1,121
Aircraft fuel inventory	219	169
Spare parts and supplies inventory	179	168
Prepaid expenses and other current assets	437	251
Total current assets	10,231	10,260
Investments, deposits and other assets	1,023	1,009
Property and equipment	12,215	11,933
Pension assets	2,446	2,588
Deferred income tax	50	50
Intangible assets	1,109	1,084
Goodwill	3,273	3,273
Total assets	\$ 30,347	\$ 30,197
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 3,538	\$ 3,328
Advance ticket sales	5,383	4,341
Aeroplan and other deferred revenue	1,534	1,473
Current portion of long-term debt and lease liabilities	Note 3 1,619	866
Total current liabilities	12,074	10,008
Long-term debt and lease liabilities	Note 3 10,858	12,996
Aeroplan and other deferred revenue	2,952	2,989
Pension and other benefit liabilities	1,744	1,875
Maintenance provisions	1,308	1,227
Other long-term liabilities	173	233
Deferred income tax	73	73
Total liabilities	\$ 29,182	\$ 29,401
SHAREHOLDERS' EQUITY		
Share capital	2,744	2,744
Contributed surplus	143	133
Accumulated other comprehensive loss	(59)	(57)
Deficit	(1,663)	(2,024)
Total shareholders' equity	1,165	796
Total liabilities and shareholders' equity	\$ 30,347	\$ 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 June 30		Six months ended June 30	
		2024	2023	2024	2023
Operating revenues					
Passenger	Note 8	\$ 4,990	\$ 4,901	\$ 9,433	\$ 8,989
Cargo	Note 8	230	227	445	465
Other		299	299	867	860
Total revenues		5,519	5,427	10,745	10,314
Operating expenses					
Aircraft fuel		1,333	1,187	2,587	2,562
Wages, salaries and benefits		1,071	971	2,179	1,885
Depreciation and amortization		448	418	890	846
Airport and navigation fees		372	364	720	676
Sales and distribution costs		269	264	535	537
Capacity purchase fees		217	201	425	417
Aircraft maintenance		335	275	650	536
Ground package costs		137	126	472	444
Communications and information technology		145	128	331	274
Catering and onboard services		154	158	309	286
Other		572	533	1,170	1,066
Total operating expenses		5,053	4,625	10,268	9,529
Operating income		466	802	477	785
Non-operating income (expense)					
Foreign exchange gain (loss)		(2)	251	57	378
Interest income		97	106	222	189
Interest expense	Note 3	(182)	(241)	(399)	(486)
Interest capitalized		8	6	15	11
Financial instruments recorded at fair value	Note 7	29	(115)	40	(77)
Loss on debt settlements	Note 3	-	(2)	(46)	(2)
Other		(12)	(11)	(27)	(25)
Total non-operating expense		(62)	(6)	(138)	(12)
Income before income taxes		404	796	339	773
Income tax recovery (expense)	Note 4	6	42	(10)	69
Net income for the period		\$ 410	\$ 838	\$ 329	\$ 842
Net income per share	Note 5				
Basic earnings per share		\$ 1.14	\$ 2.34	\$ 0.92	\$ 2.35
Diluted earnings per share		\$ 1.04	\$ 2.34	\$ 0.87	\$ 2.35

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited (Canadian dollars in millions)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Comprehensive income (loss)				
Net income for the period	\$ 410	\$ 838	\$ 329	\$ 842
Other comprehensive income (loss), net of tax: Note 4				
Items that will not be reclassified to net income				
Remeasurements on net employee benefits	40	97	32	128
Remeasurements on equity investments	6	(2)	(2)	(3)
Items that will be reclassified to net income				
Fuel derivatives designated as cash flow hedges	-	(3)	-	(3)
Total comprehensive income	\$ 456	\$ 930	\$ 359	\$ 964

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

Unaudited (Canadian dollars in millions)	Share capital	Contributed surplus	Hedging reserve	Accumulated OCI	Deficit	Total shareholders' equity (deficiency)
January 1, 2023	\$ 2,743	\$ 118	-	\$ (46)	\$ (4,370)	\$ (1,555)
Net income (loss)	-	-	-	-	842	842
Remeasurements on net employee benefits	-	-	-	-	128	128
Remeasurements on equity investments	-	-	-	(3)	-	(3)
Fuel derivatives designated as cash flow hedges	-	-	(3)	-	-	(3)
Total comprehensive income (loss)	-	-	(3)	(3)	970	964
Share-based compensation	-	9	-	-	-	9
Shares issued	1	-	-	-	-	1
June 30, 2023	\$ 2,744	\$ 127	(3)	\$ (49)	\$ (3,400)	\$ (581)
January 1, 2024	\$ 2,744	\$ 133	-	\$ (57)	\$ (2,024)	\$ 796
Net income	-	-	-	-	329	329
Remeasurements on net employee benefits	-	-	-	-	32	32
Remeasurements on equity investments	-	-	-	(2)	-	(2)
Total comprehensive income (loss)	-	-	-	(2)	361	359
Share-based compensation	-	10	-	-	-	10
June 30, 2024	\$ 2,744	\$ 143	-	\$ (59)	\$ (1,663)	\$ 1,165

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 June 30		Six months ended June 30	
	2024	2023	2024	2023
Cash flows from (used in)				
Operating				
Net income for the period	\$ 410	\$ 838	\$ 329	\$ 842
Adjustments to reconcile to net cash from operations				
Deferred income tax	Note 4	(5)	(34)	6
Depreciation and amortization		448	418	890
Foreign exchange (gain) loss		65	(228)	64
Employee benefit funding less than expense		14	15	36
Financial instruments recorded at fair value	Note 7	(29)	93	(40)
Loss on debt settlements	Note 3	-	2	46
Change in maintenance provisions		61	(69)	106
Changes in non-cash working capital balances		(67)	458	1,063
Other		27	(3)	16
Net cash flows from operating activities	924	1,490	2,516	2,927
Financing				
Proceeds from borrowings	Note 3	-	-	1,590
Reduction of long-term debt and lease liabilities	Note 3	(234)	(935)	(3,499)
Issue of shares		-	-	-
Financing fees	Note 3	(1)	-	(31)
Net cash flows used in financing activities	(235)	(935)	(1,940)	(1,227)
Investing				
Short-term investments, net		(78)	(102)	299
Disposals of long-term investments		579	318	1,138
Purchases of long-term investments		(404)	(409)	(797)
Additions to property, equipment and intangible assets		(473)	(525)	(1,009)
Other		(9)	-	(9)
Net cash flows used in investing activities	(385)	(718)	(378)	(1,467)
Effect of exchange rate changes on cash and cash equivalents	1	(1)	6	-
Increase (decrease) in cash and cash equivalents	305	(164)	204	233
Cash and cash equivalents, beginning of period	2,716	3,090	2,817	2,693
Cash and cash equivalents, end of period	\$ 3,021	\$ 2,926	\$ 3,021	\$ 2,926
Cash payments of interest	Note 3	\$ 111	\$ 177	\$ 382
Cash payments of income taxes		\$ 1	\$ 14	\$ 2

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 six months ended June 30, 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 August 6, 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.

IAS 12 Income Taxes

In May 2023, the IASB issued an amendment to IAS 12. The amendment addresses accounting for the global minimum tax as outlined in the two-pillar plan for international tax reform developed by the Organisation for Economic Co-operation and Development. The objective of the tax reform is to ensure that large multinational enterprises are subject to a minimum income tax rate of 15% in each jurisdiction they operate. The amendment to IAS 12 includes temporary mandatory relief from recognizing and disclosing deferred taxes related to the implementation of Pillar Two global minimum tax rules.

In June 2024, the Global Minimum Tax Act was enacted in Canada which is a jurisdiction where the Corporation has a constituent entity for the purposes of Pillar Two. The Corporation has adopted the amendments to IAS 12 in the second quarter of 2024 and applied the exception to recognizing and disclosing information about deferred tax assets and

liabilities related to Pillar Two income taxes. This exception has been applied retrospectively but no adjustments to previously reported figures were required and it has no impact for the current period.

3. LONG-TERM DEBT AND LEASE LIABILITIES

	Final Maturity	Weighted Average Interest Rate (%)	June 30, 2024 (Canadian dollars in millions)	December 31, 2023 (Canadian dollars in millions)
Aircraft financing				
Fixed rate U.S. dollar financing	2025 – 2030	5.03	\$ 2,839	\$ 2,877
Floating rate U.S. dollar financing	2027	7.71	278	296
Fixed rate CDN dollar financing	2026 – 2030	3.78	155	165
Fixed rate Japanese yen financing	2027	1.84	100	110
Convertible notes	2025	4.00	350	327
Credit facility – CDN dollar	2028	1.21	1,111	1,091
Senior secured notes – CDN dollar	2029	4.63	2,000	2,000
Senior secured notes – U.S. dollar	2026	3.88	1,641	1,589
Senior secured credit facility – U.S. dollar	2031	7.85	1,603	3,000
Long-term debt		4.77	10,077	11,455
Lease liabilities				
Air Canada aircraft	2024 – 2036	5.43	1,395	1,377
Regional aircraft	2025 – 2035	5.62	663	711
Land and buildings	2024 – 2078	5.67	442	449
Lease liabilities		5.52	2,500	2,537
Total debt and lease liabilities		4.92	12,577	13,992
Unamortized debt issuance costs and discounts			(100)	(130)
			12,477	13,862
Current portion – Long-term debt			(1,078)	(359)
Current portion – Air Canada aircraft			(364)	(337)
Current portion – Regional aircraft			(150)	(144)
Current portion – Land and buildings			(27)	(26)
Total current portion			(1,619)	(866)
Long-term debt and lease liabilities			\$ 10,858	\$ 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 six months ended June 30, 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 June 30, 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.

In June 2023, the Corporation prepaid loans of \$650 million which had been used to finance the acquisition of 19 Airbus A220-300 aircraft. A loss of \$2 million was recorded on debt settlement.

The Corporation has recorded Interest expense as follows:

(Canadian dollars in millions)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Interest on debt	\$ 148	\$ 202	\$ 329	\$ 407
Interest on lease liabilities				
Air Canada aircraft	19	21	39	43
Regional aircraft	9	11	19	24
Land and buildings	6	7	12	12
Interest expense	\$ 182	\$ 241	\$ 399	\$ 486

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 June 30		Six months ended June 30	
	2024	2023	2024	2023
Short-term leases	\$ 4	\$ 7	\$ 8	\$ 10
Variable lease payments not included in lease liabilities	15	11	31	21
Expense related to leases (included in Other operating expenses)	\$ 19	\$ 18	\$ 39	\$ 31

Total cash outflows for payments on lease liabilities was \$170 million for the three months ended June 30, 2024 (\$332 million for the six months ended June 30, 2024; \$171 million and \$350 million respectively for the three- and six-month periods ended June 30, 2023), of which \$136 million was for principal repayments (\$262 million for the six months ended June 30, 2024; \$132 million and \$271 million for the three- and six-month periods ended June 30, 2023).

Maturity Analysis

Principal and interest repayment requirements as at June 30, 2024 on Long-term debt and lease liabilities are as follows. U.S. dollar amounts are converted using the June 30, 2024 closing rate of CDN\$1.3679.

Principal (Canadian dollars in millions)	Remainder of 2024	2025	2026	2027	2028	Thereafter	Total
Long-term debt obligations ⁽¹⁾	\$ 177	1,112	2,397	1,036	1,362	4,181	10,265
Air Canada aircraft	185	355	295	235	164	161	1,395
Regional aircraft	77	143	52	41	40	310	663
Land and buildings	15	27	27	28	28	317	442
Lease liabilities	\$ 277	525	374	304	232	788	2,500
Total long-term debt and lease liabilities	\$ 454	1,637	2,771	1,340	1,594	4,969	12,765

Interest (Canadian dollars in millions)	Remainder of 2024	2025	2026	2027	2028	Thereafter	Total
Long-term debt obligations ⁽¹⁾	\$ 243	462	404	306	248	391	2,054
Air Canada aircraft	39	64	47	32	20	18	220
Regional aircraft	17	27	21	18	17	57	157
Land and buildings	12	23	21	20	18	222	316
Lease liabilities	\$ 68	114	89	70	55	297	693
Total long-term debt and lease liabilities	\$ 311	576	493	376	303	688	2,747

(1) Assumes the principal balance of the convertible notes, \$375 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 \$100 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			June 30, 2024
	Mar 31, 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	\$ 10,096	\$ -	\$ (98)	\$ -	\$ 64	\$ 15	\$ -	\$ 10,077
Air Canada aircraft	1,334	-	(93)	-	14	-	140	1,395
Regional aircraft	692	-	(36)	-	7	-	-	663
Land and buildings	447	-	(7)	-	-	-	2	442
Lease liabilities	2,473	-	(136)	-	21	-	142	2,500
Unamortized debt issuance costs	(107)	-	-	(1)	-	8	-	(100)
Total liabilities from financing activities	\$ 12,462	\$ -	\$ (234)	\$ (1)	\$ 85	\$ 23	\$ 142	\$ 12,477

(Canadian dollars in millions)	Cash Flows				Non-Cash Changes			June 30, 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	\$ (3,237)	\$ -	\$ 238	\$ 31	\$ -	\$ 10,077
Air Canada aircraft	1,377	-	(178)	-	44	-	152	1,395
Regional aircraft	711	-	(71)	-	23	-	-	663
Land and buildings	449	-	(13)	-	1	-	5	442
Lease liabilities	2,537	-	(262)	-	68	-	157	2,500
Unamortized debt issuance costs	(130)	-	-	(31)	-	61	-	(100)
Total liabilities from financing activities	\$ 13,862	\$ 1,590	\$ (3,499)	\$ (31)	\$ 306	\$ 92	\$ 157	\$ 12,477

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 June 30		Six months ended June 30	
	2024	2023	2024	2023
Current income tax recovery (expense)	\$ 1	\$ 8	\$ (4)	\$ 6
Deferred income tax recovery (expense)	5	34	(6)	63
Income tax recovery (expense)	\$ 6	\$ 42	\$ (10)	\$ 69

The Corporation's statutory tax rate for the six months ended June 30, 2024 was 26.46% (26.46% for the six months ended June 30, 2023).

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

(Canadian dollars in millions)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Remeasurements on net employee benefits				
- current income tax recovery (expense)	\$ (1)	\$ (1)	\$ (1)	\$ (2)
- deferred income tax recovery (expense)	(8)	(34)	6	(55)
Income tax recovery (expense)	\$ (9)	\$ (35)	\$ 5	\$ (57)

5. EARNINGS PER SHARE

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

(in millions, except per share amounts)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Numerator:				
Net income for the period:	\$ 410	\$ 838	\$ 329	\$ 842
Effect of assumed conversion of convertible notes	(16)	102	(1)	87
Remove anti-dilutive impact	-	(102)	-	(87)
Adjusted numerator for diluted earnings per share:	394	838	328	842
Denominator:				
Weighted-average shares	358	358	358	358
Effect of potential dilutive securities:				
Stock options	-	-	-	-
Convertible notes	18	18	18	18
Remove anti-dilutive impact	-	(18)	-	(18)
Adjusted denominator for diluted earnings per share	376	358	376	358
Basic earnings per share	\$ 1.14	\$ 2.34	\$ 0.92	\$ 2.35
Diluted earnings per share	\$ 1.04	\$ 2.34	\$ 0.87	\$ 2.35

The calculation of earnings 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 June 30, 2024 closing rate of CDN\$1.3679. 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	\$ 870	\$ 2,574	\$ 3,600	\$ 2,917	\$ 715	\$ 2,495	\$ 13,171

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 (loss) on financial instruments recorded at fair value

(Canadian dollars in millions)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Embedded derivative on convertible notes	\$ 30	\$ (100)	\$ 33	\$ (76)
Short-term and long-term investments	(1)	(15)	7	(1)
Gain (loss) on financial instruments recorded at fair value	\$ 29	\$ (115)	\$ 40	\$ (77)

Foreign Exchange Risk Management

As at June 30, 2024, the Corporation had outstanding foreign currency options and swap agreements, settling in 2024 and 2025, to purchase at maturity \$7,750 million (US\$5,668 million) of U.S. dollars at a weighted average rate of \$1.3206 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 June 30, 2024 was \$92 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 second quarter of 2024, foreign exchange gain (loss) related to these derivatives was \$99 million gain (\$389 million gain for the six month period ended June 30, 2024; \$21 million gain and \$101 million gain respectively for the three- and six-month periods ended June 30, 2023). In the second quarter of 2024, foreign exchange derivative contracts cash settled with a net fair value of \$73 million in favour of the Corporation (\$132 million in favour of the Corporation for the six month period ended June 30, 2024; \$37 million in favour of the Corporation and \$80 million in favour of the Corporation respectively for the three- and six-month periods ended June 30, 2023).

Fuel Price Risk Management

During the second quarter of 2024, fuel derivative contracts cash settled with a fair value of \$25 million in favour of the counterparties with a hedging loss of \$25 million recorded in Aircraft fuel expense. There were no outstanding fuel derivatives as at June 30, 2024.

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. Cash and cash equivalents include \$181 million related to funds held in trust by Air Canada Vacations in accordance with regulatory requirements governing advance sales for tour operators (\$393 million at December 31, 2023).

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 June 30, 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 \$9,767 million compared to its carrying value of \$10,077 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 six months ended June 30, 2024.

(Canadian dollars in millions)	June 30, 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)
Financial Assets				
Held-for-trading securities				
Cash equivalents	\$ 130	\$ –	\$ 130	\$ –
Short-term investments	5,111	–	5,111	–
Long-term investments	737	–	737	–
Equity investment in Chorus	38	38	–	–
Derivative instruments				
Foreign exchange derivatives	105	–	105	–
Total	\$ 6,121	\$ 38	\$ 6,083	\$ –
Financial Liabilities				
Derivative instruments				
Foreign exchange derivatives	13	–	13	–
Embedded derivative on convertible notes	23	–	23	–
Total	\$ 36	\$ –	\$ 36	\$ –

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 June 30		Six months ended June 30	
	2024	2023	2024	2023
Canada	\$ 1,336	\$ 1,282	\$ 2,457	\$ 2,346
U.S. Transborder	1,080	1,037	2,119	2,003
Atlantic	1,563	1,665	2,538	2,589
Pacific	701	573	1,372	1,065
Other	310	344	947	986
	\$ 4,990	\$ 4,901	\$ 9,433	\$ 8,989

Cargo Revenues (Canadian dollars in millions)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Canada	\$ 23	\$ 23	\$ 48	\$ 47
U.S. Transborder	14	11	26	22
Atlantic	89	109	173	228
Pacific	71	54	133	103
Other	33	30	65	65
	\$ 230	\$ 227	\$ 445	\$ 465

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.