AIR CANADA

News Release

Air Canada Reports Fourth Quarter and Full Year 2023 Financial Results

- *Record full year operating revenues of $21.833 billion, reflecting strong demand for air travel*
- *Full year operating income of $2.279 billion*
- *2023 adjusted EBITDA* of $3.982 billion, at the high-end of guidance range*
- *2023 cash from operating activities of $4.320 billion and free cash flow* of $2.756 billion*
- *Leverage ratio* of 1.1 at December 31, 2023, down from 5.1 at December 31, 2022*

MONTREAL, February 16, 2024 – Air Canada today reported its fourth quarter and full year 2023 financial results.

"Air Canada produced very strong results for the fourth quarter and full year 2023, delivering on its key financial goals and strategic priorities. For the full year, we had record operating revenues of $21.8 billion, up 32 per cent from 2022 as demand for air travel remained strong. Annual operating income was $2.3 billion; a $2.5 billion improvement from the previous year. Our adjusted EBITDA was nearly $4 billion; more than twice that of full year 2022. These results stem from the effective management, hard work and customer centric approach of everyone at Air Canada. I thank the entire team for their dedication as we safely transported more than 46 million passengers in 2023. The focus on operational improvements was evident as, even with the growth in traffic and ongoing supply chain challenges, our key operational metrics and customer satisfaction improved year over year," said Michael Rousseau, President and Chief Executive Officer of Air Canada.

"We also took important steps during the year to enable ourselves to continue performing consistently as we remain firmly committed to our plan and to enhancing our level of customer service, improving our operational reliability, strategically adding to our key hubs and network and growing profitably. We strengthened our balance sheet, reduced our debt and, despite the continuing macroeconomic and structural cost pressures on our industry, our unit costs were contained within our adjusted CASM guidance. Additionally, we will continue to expand Aeroplan, a key driver of customer loyalty that has doubled its membership to eight million members over the last five years.

“Our airline remains adaptable to changing business conditions, and is poised to take advantage of opportunities, giving us every confidence for the year ahead. As we look into the future, we aim to grow, deliver on our financial objectives and create long-term value for all stakeholders."

*Adjusted CASM, adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization), adjusted EBITDA margin, leverage ratio (also referred to as net debt to trailing 12-month adjusted EBITDA ratio), net debt, adjusted pre-tax income (loss), adjusted net income (loss), adjusted earnings (loss) per share, and free cash flow are referred to in this news release. Such measures are non-GAAP financial measures, non-GAAP ratios, or supplementary financial 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. Refer to the "Non-GAAP Financial Measures" section of this news release for descriptions of these measures, and for a reconciliation of Air Canada non-GAAP measures used in this news release to the most comparable GAAP financial measure.

Fourth Quarter 2023 Financial Results

The following is an overview of Air Canada’s results of operations and financial position for the fourth quarter 2023 compared to the fourth quarter 2022.

- Operating revenues of $5.175 billion increased $495 million or 11 per cent on an operated capacity growth of over 9 per cent year over year, close to the guidance provided in Air Canada’s news release dated October 30, 2023.
- Operating expenses of $5.096 billion increased $388 million or 8 per cent. The increase was due to higher costs in nearly all line items reflecting higher operated capacity and traffic year over year, including higher wages, salaries and benefits. The increase was partially offset by lower aircraft fuel expense on a jet fuel price decline.
- Operating income of $79 million, with an operating margin of 1.5 per cent, improved $107 million.
- Adjusted EBITDA of $521 million, with an adjusted EBITDA margin* of 10.1 per cent, improved $132 million.
- Net income of $184 million and diluted earnings per share of $0.41 compared to a net income of $168 million and diluted earnings per share of $0.41.
- Adjusted net loss* of $44 million and adjusted loss per diluted share of $0.12 compared to an adjusted net loss of $217 million and adjusted loss per diluted share of $0.61.
- Adjusted CASM* of 14.25 cents compared to 13.68 cents, an increase of 4.1 per cent driven by higher salaries, wages and benefits expenses, higher maintenance costs and general inflationary pressures on certain line items.
- Net cash flows from operating activities of $985 million increased $338 million.
- Free cash flow of $669 million increased $349 million.

Full Year 2023 Financial Results

The following is an overview of Air Canada's results of operations and financial position for the full year 2023 compared to the full year 2022.

- Operating revenues of $21.833 billion increased $5.277 billion or 32 per cent on approximately a 20 per cent growth in operated capacity. The capacity increase was in-line with the guidance provided in Air Canada's news release dated October 30, 2023.
- Operating expenses of $19.554 billion increased $2.811 billion or 17 per cent. The increase was primarily due to increases in all line items reflecting higher operated capacity and traffic year over year, including, higher salaries, wages and benefits. It also reflects the impact of a favourable maintenance cost adjustment of $159 million that was recorded in the first quarter of 2022.
- Operating income of $2.279 billion, with an operating margin of 10.4 per cent, improved $2.466 billion.
- Adjusted EBITDA of $3.982 billion, with an adjusted EBITDA margin* of 18.2 per cent, improved $2.525 billion, at the high end of the guidance provided in Air Canada's news release dated October 30, 2023.
- Net income of $2.276 billion and diluted earnings per share of $5.96 compared to a net loss of $1.7 billion and diluted loss per share of $4.75.
- Adjusted net income of $1.713 billion and adjusted earnings per diluted share of $4.56 compared to an adjusted net loss of $988 million and an adjusted loss per diluted share of $2.76.
- Adjusted CASM of 13.49 cents compared to 13.21 cents in 2022, a 2.2 per cent increase driven by higher traffic and selling costs correlated to higher revenues, higher labour costs, a favourable maintenance cost adjustment recorded in 2022, and inflationary pressure on certain line items. This was within the guidance range provided in Air Canada's news release dated October 30, 2023.
- Net cash flows from operating activities of $4.320 billion increased $1.952 billion.
- Free cash flow of $2.756 billion increased $1.960 billion.
- Net debt to adjusted EBITDA ratio* was 1.1 at December 31, 2023, an improvement from 5.1 as at December 31, 2022, due to the increase in adjusted EBITDA and a $2.9 billion reduction in net debt.

Outlook

For the first quarter of 2024, Air Canada plans to increase its ASM capacity by about 10 per cent from the same quarter in 2023.

Air Canada is providing the following guidance for the full year 2024, replacing prior 2024 targets:

Metric	Full Year 2024 Guidance
ASM capacity	6 to 8 per cent increase versus 2023
Adjusted CASM	2.5 to 4.5 per cent increase versus 2023
Adjusted EBITDA	$3.7 to $4.2 billion

Major Assumptions

Assumptions were made by Air Canada in preparing and making forward-looking statements. As part of its assumptions, Air Canada assumes moderate Canadian GDP growth for 2024. Air Canada also assumes that the Canadian dollar will trade, on average, at C$1.33 per U.S. dollar for the full year 2024 and that the price of jet fuel will average C$1.00 per litre for the full year 2024.

Non-GAAP Financial Measures

Below is a description of certain non-GAAP financial measures and ratios used by Air Canada 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.

Adjusted CASM

Air Canada uses adjusted CASM to assess the operating and cost performance of its ongoing airline business without the effects of aircraft fuel expense, the cost of ground packages at Air Canada Vacations, impairment of assets and freighter costs as these items may distort the analysis of certain business trends and render comparative analysis across periods less meaningful and their exclusion generally allows for a more meaningful analysis of Air Canada's operating expense performance and a more meaningful comparison to that of other airlines.

In calculating adjusted CASM, 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.

Air Canada also incurs expenses related to the operation of freighter aircraft, which some airlines, without comparable cargo businesses, may not incur. Air Canada had seven Boeing 767 dedicated freighter aircraft in its operating fleet as at December 31, 2023, compared to three Boeing 767 dedicated freighter aircraft in service as at December 31, 2022. These costs do not generate ASMs and therefore excluding these costs from operating expense results provides for a more meaningful comparison of the passenger airline business across periods.

Adjusted CASM is reconciled to GAAP operating expense as follows:

(Canadian dollars in millions, except where indicated)	Fourth Quarter			Full Year		
	2023	2022	Change	2023	2022	Change
Operating expense – GAAP	**$ 5,096**	**$ 4,708**	**$ 388**	**$ 19,554**	**$ 16,743**	**$ 2,811**
Adjusted for:						
Aircraft fuel	(1,391)	(1,459)	68	(5,318)	(5,276)	(42)
Ground package costs	(177)	(163)	(14)	(720)	(474)	(246)
Impairment of assets	-	-	-	-	(4)	4
Freighter costs (excluding fuel)	(46)	(27)	(19)	(157)	(86)	(71)
Operating expense, adjusted for the above-noted items	**$ 3,482**	**$ 3,059**	**$ 423**	**13,359**	**10,903**	**2,456**
ASMs (millions)	**24,439**	**22,368**	**9.3%**	**99,012**	**82,558**	**19.9%**
Adjusted CASM (cents)	**¢ 14.25**	**¢ 13.68**	**¢ 0.57**	**¢ 13.49**	**¢ 13.21**	**¢ 0.28**

EBITDA and Adjusted EBITDA

EBITDA (earnings before interest, taxes, depreciation and amortization) is commonly used in the airline industry and is used by Air Canada as a means to view operating results before interest, taxes, depreciation and amortization as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets. In adjusted EBITDA, Air Canada excludes the effect of impairment of assets as it may distort the analysis of certain business trends and render comparative analysis across periods or to other airlines less meaningful.

Adjusted EBITDA Margin

Adjusted EBITDA margin (adjusted EBITDA as a percentage of operating revenues) is commonly used in the airline industry and is used by Air Canada as a means to measure the operating margin before interest, taxes, depreciation and amortization as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets. Further, the effects of impairment of assets are also removed in computing adjusted EBITDA margin as it may distort the analysis of certain business trends and render comparative analysis across periods or to other airlines less meaningful.

EBITDA, adjusted EBITDA and adjusted EBITDA margin are reconciled to GAAP operating income (loss) as follows:

(Canadian dollars in millions, except where indicated)	Fourth Quarter 2023	Fourth Quarter 2022	Fourth Quarter Change	Full Year 2023	Full Year 2022	Full Year Change
Operating loss – GAAP	**$ 79**	**$ (28)**	**$ 107**	**$ 2,279**	**$ (187)**	**$ 2,466**
Add back:						
Depreciation and amortization	442	417	25	1,703	1,640	63
EBITDA	**$ 521**	**$ 389**	**$ 132**	**$ 3,982**	**$ 1,453**	**$ 2,529**
Remove:						
Impairment of assets	-	-	-	-	4	(4)
Adjusted EBITDA	**$ 521**	**$ 389**	**$ 132**	**$ 3,982**	**$ 1,457**	**$ 2,525**
Operating revenues	**$ 5,175**	**$ 4,680**	**$ 495**	**$ 21,833**	**$ 16,556**	**$ 5,277**
Operating margin (%)	**1.5**	**(0.6)**	**2.1 pp**	**10.4**	**(1.1)**	**11.5 pp**
Adjusted EBITDA margin (%)	**10.1**	**8.3**	**1.8 pp**	**18.2**	**8.8**	**9.4 pp**

Adjusted Pre-tax Income (Loss)

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 impairment of assets, foreign exchange gains or losses, net interest 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 disposal of assets, gains or losses on debt settlements and modifications, as these items may distort the analysis of certain business trends and render comparative analysis across periods or to other airlines less meaningful.

Adjusted pre-tax income (loss) is reconciled to GAAP income (loss) before income taxes as follows:

(Canadian dollars in millions)	Fourth Quarter 2023	Fourth Quarter 2022	Fourth Quarter $ Change	Full Year 2023	Full Year 2022	Full Year $ Change
Income (loss) before income taxes – GAAP	**$ 122**	**$ 146**	**$ (24)**	**$ 2,212**	**$ (1,524)**	**$ 3,736**
Adjusted for:						
Impairment of assets	-	-	-	-	4	(4)
Foreign exchange (gain) loss	(72)	(316)	244	(389)	732	(1,121)
Net interest relating to employee benefits	(7)	(7)	-	(25)	(24)	(1)
Gain on financial instruments recorded at fair value	(91)	(44)	(47)	(115)	(133)	18
Loss on debt settlements and modifications	1	31	(30)	10	14	(4)
Gain on disposal of assets	-	(21)	21	-	(21)	21
Adjusted pre-tax income (loss)	**$ (47)**	**$ (211)**	**$ 164**	**$ 1,693**	**$ (952)**	**$ 2,645**

Adjusted Net Income (Loss) and Adjusted Earnings (Loss) per Share – Diluted

Air Canada uses adjusted net income (loss) and adjusted earnings (loss) per share – diluted as a means to assess the overall financial performance of its business without the after-tax effects of impairment of assets, foreign exchange gains or losses, net financing 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 as these items may distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful.

Adjusted net income (loss) and adjusted earnings (loss) per share are reconciled to GAAP net income as follows:

	Fourth Quarter			Full Year		
(Canadian dollars in millions)	**2023**	**2022**	**$ Change**	**2023**	**2022**	**$ Change**
Net income (loss) – GAAP	**$ 184**	**$ 168**	**$ 16**	**$ 2,276**	**$ (1,700)**	**$ 3,976**
Adjusted for:						
Impairment of assets	-	-	-	-	4	(4)
Foreign exchange (gain) loss	(72)	(316)	244	(389)	732	(1,121)
Net interest relating to employee benefits	(7)	(7)	-	(25)	(24)	(1)
Gain on financial instruments recorded at fair value	(91)	(44)	(47)	(115)	(133)	18
Loss on debt settlements and modifications	1	31	(30)	10	14	(4)
Gain on disposal of assets	-	(21)	21	-	(21)	21
Income tax, including for above reconciling items (1)	(59)	(28)	(31)	(44)	140	(184)
Adjusted net income (loss)	**$ (44)**	**$ (217)**	**$ 173**	**$ 1,713**	**$ (988)**	**$ 2,701**
Weighted average number of outstanding shares used in computing diluted income per share (in millions)	358	358	-	376	358	18
Adjusted loss per share – diluted	**$ (0.12)**	**$ (0.61)**	**$ 0.49**	**$ 4.56**	**$ (2.76)**	**$ 7.32**

(1) In 2023, the deferred income tax expense recorded in other comprehensive income related to remeasurements on employee benefit liabilities is offset by a deferred income tax recovery, which was recorded through Air Canada's consolidated statement of operations. This recovery is removed from adjusted net income for the year 2023. In comparison, a deferred income tax expense was removed from adjusted net loss for the year 2022.

Free Cash Flow

Air Canada uses free cash flow as an indicator of the financial strength and performance of its business, indicating the amount of cash Air Canada can 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 and leaseback transactions.

The table below reconciles free cash flow to net cash flows from (used in) operating activities for the periods indicated.

	Fourth Quarter			Full Year		
(Canadian dollars in millions)	**2023**	**2022**	**$ Change**	**2023**	**2022**	**$ Change**
Net cash flows from operating activities	**$ 985**	**$ 647**	**$ 338**	**$ 4,320**	**$ 2,368**	**$ 1,952**
Additions to property, equipment, and intangible assets	(316)	(327)	11	(1,564)	(1,572)	8
Free cash flow	**$ 669**	**$ 320**	**$ 349**	**$ 2,756**	**$ 796**	**$ 1,960**

Net Debt

Net debt is a capital management measure and a key component of the capital managed by Air Canada and provides management with a measure of its net indebtedness. It refers to total long-term debt and lease liabilities (including current portion) less cash, cash equivalents and short- and long-term investments.

Net Debt to Trailing 12-Month Adjusted EBITDA (Leverage Ratio)

Net debt to trailing 12-month adjusted EBITDA ratio (also referred to as “leverage ratio”) 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 net debt by trailing 12-month adjusted EBITDA.

(Canadian dollars in millions)	**December 31, 2023**	**December 31, 2022**	**Change**
Total long-term debt and lease liabilities	$ 12,996	$ 15,043	$ (2,047)
Current portion of long-term debt and lease liabilities	866	1,263	(397)
Total long-term debt and lease liabilities (including current portion)	**13,862**	**16,306**	**(2,444)**
Less cash, cash equivalents and short and long-term investments	(9,295)	(8,811)	(484)
Net debt	**$ 4,567**	**$ 7,495**	**$ (2,928)**
Adjusted EBITDA (trailing 12 months)	**$ 3,982**	**1,457**	**2,525**
Net debt to adjusted EBITDA ratio	**1.1**	**5.1**	**(4.0)**

For further information on Air Canada’s public disclosure file, including Air Canada’s 2022 Annual Information Form dated February 25, 2023, consult SEDAR+ at www.sedarplus.com.

Fourth Quarter and Full Year 2023 Conference Call

Air Canada will host its quarterly analysts' call today, Friday, February 16, 2024, at 8:00 a.m. ET. Michael Rousseau, President and Chief Executive Officer, John Di Bert, Executive Vice President and Chief Financial Officer, and Mark Galardo, Executive Vice President, Revenue and Network Planning, will present the results and be available for analysts' questions. Immediately following the analysts' Q&A session, Mr. Di Bert and Pierre Houle, Vice President and Treasurer, will be available to answer questions from term loan B lenders and holders of Air Canada bonds.

Media and the public may access this call on a listen-in basis. Details are as follows:

Live audio webcast: https://edge.media-server.com/mmc/p/8ini6iaf

By telephone: 1-800-715-9871 (toll-free), Conference ID 6697341

Please allow 10 minutes to be connected to the conference call.

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 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, among other things, changing external events and general uncertainties of the business of Air Canada. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including those discussed below.

Factors that may cause results to differ materially from results indicated in forward-looking statements include economic conditions as well as geopolitical conditions such as the military conflicts in the Middle East and between Russia and Ukraine, Air Canada's ability to successfully achieve or sustain positive net profitability, industry and market conditions and the demand environment, competition, Air Canada's dependence on technology, cybersecurity risks, interruptions of service, climate change and environmental factors (including weather systems and other natural phenomena and factors arising from anthropogenic sources), Air Canada's dependence on key suppliers (including government agencies and other stakeholders supporting airport and airline operations), employee and labour relations and costs, Air Canada's ability to successfully implement appropriate strategic and other important initiatives (including Air Canada's ability to manage operating costs), energy prices, Air Canada's ability to pay its indebtedness and maintain or increase liquidity, Air Canada's dependence on regional and other carriers, Air

Canada's ability to attract and retain required personnel, epidemic diseases, changes in laws, regulatory developments or proceedings, terrorist acts, war, Air Canada's ability to successfully operate its loyalty program, casualty losses, Air Canada's dependence on Star Alliance® and joint ventures, Air Canada's ability to preserve and grow its brand, pending and future litigation and actions by third parties, currency exchange fluctuations, limitations due to restrictive covenants, insurance issues and costs, and pension plan obligations as well as the factors identified in Air Canada's public disclosure file available at www.sedarplus.com and, in particular, those identified in section 18 "Risk Factors" of Air Canada's 2023 MD&A dated February 16, 2024.

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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Selected Financial Metrics and Statistics

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

(Canadian dollars in millions, except per share data or where indicated)	Fourth Quarter			Full Year		
Financial Performance Metrics	**2023**	**2022**	**$ Change**	**2023**	**2022**	**$ Change**
Operating revenues	5,175	4,680	495	21,833	16,556	5,277
Operating income (loss)	79	(28)	107	2,279	(187)	2,466
Operating margin (1) (%)	1.5	(0.6)	2.1 pp (8)	10.4	(1.1)	11.5 pp
Adjusted EBITDA (2)	521	389	132	3,982	1,457	2,525
Adjusted EBITDA margin (2) (%)	10.1	8.3	1.8 pp	18.2	8.8	9.4 pp
Income (loss) before income taxes	122	146	(24)	2,212	(1,524)	3,736
Net income (loss)	184	168	16	2,276	(1,700)	3,976
Adjusted pre-tax income (loss) (2)	(47)	(211)	164	1,693	(952)	2,645
Adjusted net income (loss) (2)	(44)	(217)	173	1,713	(988)	2,701
Total liquidity (3)	10,290	9,824	466	10,290	9,824	466
Net cash flows from operating activities	985	647	338	4,320	2,368	1,952
Free cash flow (2)	669	320	349	2,756	796	1,960
Net debt (2)	4,567	7,495	(2,928)	4,567	7,495	(2,928)
Diluted earnings (loss) per share	0.41	0.41	-	5.96	(4.75)	10.71
Adjusted earnings (loss) per share (2)	(0.12)	(0.61)	0.49	4.56	(2.76)	7.32
Operating Statistics (4)	**2023**	**2022**	**Change %**	**2023**	**2022**	**Change %**
Revenue passenger miles (RPMs) (millions)	20,405	18,525	10.1	85,802	66,495	29.0
Available seat miles (ASMs) (millions)	24,439	22,368	9.3	99,012	82,558	19.9
Passenger load factor %	83.5%	82.8%	0.7 pp	86.7%	80.5%	6.1 pp
Passenger revenue per RPM (Yield) (cents)	22.3	21.9	1.8	22.6	21.4	6.0
Passenger revenue per ASM (PRASM) (cents)	18.6	18.2	2.6	19.6	17.2	13.6
Operating revenue per ASM (cents)	21.2	20.9	1.2	22.1	20.1	10.0
Operating expense per ASM (CASM) (cents)	20.9	21.1	(0.9)	19.8	20.3	(2.6)
Adjusted CASM (cents) (2)	14.2	13.7	4.1	13.5	13.2	2.2
Average number of full-time-equivalent (FTE) employees (thousands) (5)	36.4	33.2	9.7	35.7	30.5	17.1
Aircraft in operating fleet at period-end	361	345	5	361	345	5
Seats dispatched (thousands)	13,636	12,690	7.4	54,026	47,038	14.9
Aircraft frequencies (thousands)	93.4	89.9	3.9	373.1	340.5	9.6
Average stage length (miles) (6)	1,792	1,763	1.7	1,833	1,755	4.4
Fuel cost per litre (cents)	117.6	134.3	(12.4)	111.6	130.1	(14.2)
Fuel litres (thousands)	1,178,926	1,084,569	8.7	4,751,692	4,056,788	17.1
Revenue passengers carried (thousands) (7)	10,899	10,098	7.9	44,790	36,144	23.9

(1) *Operating margin is a supplementary financial measure and is defined as operating income (loss) as a percentage of operating revenues.*

(2) *Adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization), adjusted EBITDA margin, adjusted pre-tax income (loss), adjusted net income (loss), free cash flow, net debt, adjusted earnings (loss) per share, and adjusted CASM are non-GAAP financial measures, capital management measures, non-GAAP ratios or supplementary financial measures. 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. Refer to section 20 "Non-GAAP Financial Measures" of this MD&A for descriptions of Air Canada's non-GAAP financial measures and for a quantitative reconciliation of Air Canada's non-GAAP financial measures to the most comparable GAAP measure.*

(3) *Total liquidity refers to the sum of cash, cash equivalents, short and long-term investments, and the amounts available under Air Canada's credit facilities. Total liquidity, as at December 31, 2023, of $10,290 million consisted of $9,295 million in cash, cash equivalents, short and long-term investments and $995 million available under undrawn credit facilities. As at December 31, 2022, total liquidity of $9,824 million consisted of $8,811 million in cash and cash equivalents, short and long-term investments, and $1,013 million available under undrawn credit facilities. These amounts*

also include funds ($393 million as at December 31, 2023 and $386 million as at December 31, 2022) held in trust by Air Canada Vacations in accordance with regulatory requirements governing advance sales for tour operators.

(4) *Except for the reference to average number of FTE employees, operating statistics in this table include third party carriers operating under capacity purchase agreements with Air Canada.*

(5) *Reflects FTE employees at Air Canada and its subsidiaries. Excludes FTE employees at third party carriers 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.*

(8) *"pp" denotes percentage points and refers to a measure of the arithmetic difference between two percentages.*