Air Canada – Investor Overview

Fourth Quarter and Full Year 2024

AIR CANADA

Caution Regarding Forward-Looking Information

Air Canada's public communications may include 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, statements or actions by governments relating to the imposition of (or threats to impose) tariffs on Canadian exports or imports and their resulting consequences, 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.ca and, in particular, those identified in section 18 "Risk Factors" of Air Canada's 2024 MD&A, dated February 13, 2025.

Air Canada has and continues to establish targets, make commitments and assess the impact regarding climate change, and related initiatives, plans and proposals that Air Canada and other stakeholders (including government, regulatory and other bodies) are pursuing in relation to climate change and carbon emissions. The achievement of our commitments and targets depends on many factors, including the combined actions of governments, industry, suppliers and other stakeholders and actors, as well as the development and implementation of new technologies. In particular, our 2030 carbon emission-related targets and our related 2050 aspiration are ambitious and heavily dependent on new technologies, renewable energies and the availability of a sufficient supply of sustainable aviation fuels (SAF), which continues to present serious challenges. In addition, Air Canada has incurred, and expects to continue to incur, costs to achieve its goal of net-zero carbon emissions and to comply with environmental sustainability legislation and regulation and other standards and accords. The precise nature of future binding or non-binding legislation, regulation, standards and accords, on which local and international stakeholders are increasingly focusing, cannot be predicted with any degree of certainty, nor can their financial, operational or other impact. There can be no assurance of the extent to which any of our climate goals will be achieved or that any future investments that we make in furtherance of achieving our climate goals will produce the expected results or meet increasing stakeholder environmental, social and governance expectations. Moreover, future events could lead Air Canada to prioritize other nearer-term interests over progressing toward our current climate goals based on business strategy, economic, regulatory and social factors, and potential pressure from investors, activist groups or other stakeholders. If we are unable to meet or properly report on our progress toward achieving our climate change goals and commitments, we could face adverse publicity and reactions from investors, customers, advocacy groups or other stakeholders, which could result in reputational harm or other adverse effects to Air Canada.

The forward-looking statements contained or incorporated by reference in this presentation represent Air Canada's expectations as of the date of this presentation (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.

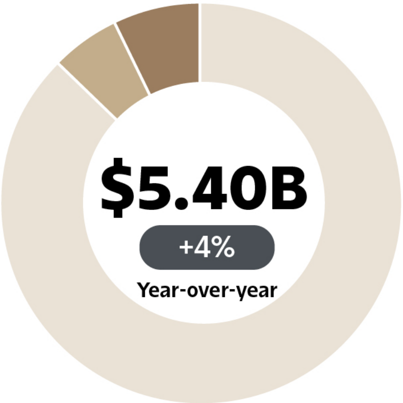
Q4 2024

Highlights of our financial results

See our full financial results at Air Canada's Investor Relations website: **aircanada.com/investors**

2.1% Year-over-year
Capacity – ASM (Available Seat Miles)

Total operating revenues



$4.73B	$293M	$385M
Passenger	Cargo	Other

TRASM (Total Revenue per ASM)	21.1 cents
CASM (Cost per ASM)	22.7 cents
Adjusted CASM*	15.1 cents

-$254M Operating income — -$333M Year-over-year

$696M Adjusted EBITDA* — +$175M Year-over-year

-$1.81 Diluted earnings per share — -$2.11 Year-over-year

0.25¢ Adjusted diluted earnings per share* — +0.37¢ Year-over-year

1.4x Leverage ratio* at Dec. 31, 2024

*Adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) is a non-GAAP financial measure. Adjusted CASM, adjusted diluted earnings (loss) per share and leverage ratio are non-GAAP financial ratios. These 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. Please refer the Non-GAAP Financial Measures section of this presentation for further information and for a reconciliation to the most comparable GAAP measure.

AIR CANADA

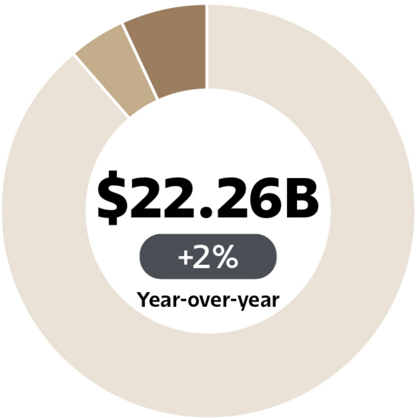
Full year 2024

Highlights of our financial results

See our full financial results at Air Canada's Investor Relations website: **aircanada.com/investors**

+5.4% Year-over-year
Capacity – ASM (Available Seat Miles)

Total operating revenues



$19.76B	$991M	$1.5B
Passenger	Cargo	Other

TRASM (Total Revenue per ASM)	21.3 cents
CASM (Cost per ASM)	20.1 cents
Adjusted CASM*	13.8 cents

$1.26B Operating income — -$1.02B Year-over-year

$3.59B Adjusted EBITDA* — -$396M Year-over-year

$4.72 Diluted earnings per share — -$1.24 Year-over-year

$3.55 Adjusted diluted earnings per share* — -$1.01 Year-over-year

1.4x Leverage ratio* at Dec. 31, 2024

*Adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) is a non-GAAP financial measure. Adjusted CASM, adjusted diluted earnings (loss) per share and leverage ratio are non-GAAP financial ratios. These 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. Please refer the Non-GAAP Financial Measures section of this presentation for further information and for a reconciliation to the most comparable GAAP measure.

AIR CANADA

Maintaining a strong and resilient balance sheet

TOTAL LIQUIDITY

$9.2B
at Dec. 31, 2024

LEVERAGE RATIO

1.4x
at Dec. 31, 2024
Compared to
1.1x at
Dec. 31, 2023

NET DEBT *

$4.9B
at Dec. 31, 2024
Compared to
$4.6B at
Dec. 31, 2023

CASH FROM OPERATIONS

$3.9B
in 2024
-$390M YoY

FCF *

$1.3B
in 2024
-$1.5B YoY

* 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. Free cash flow (FCF) is a non-GAAP financial measure used by Air Canada as an indicator of the financial strength and performance of its business, indicating how much cash it can generate from operations after capital expenditures. These measures are not recognized for financial statement presentation under GAAP, do not have a standardized meaning, may not be comparable to similar measures presented by other entities and should not be considered a substitute for, or superior to, GAAP results. Please refer the Non-GAAP Financial Measures section of this presentation for further information and for a reconciliation to the most comparable GAAP measure.

Important achievements in 2024

Diverse Network	Adaptability and flexibility
Labour	New collective agreement with pilots
Operations	8-percentage-point OTP improvement from 2023
Capital allocation	Purchased and cancelled all 35,783,842 shares, including over 20 million shares in 2024, available under its normal course issuer bid.

Air Canada's Leadership

Experienced and dedicated to drive long-term value

Michael Rousseau
President and Chief Executive Officer

Marc Barbeau
EVP, Chief Legal Officer and Corporate Secretary

John Di Bert
EVP and Chief Financial Officer

Mark Galardo
EVP, Revenue & Network Planning and President, Cargo

Craig Landry
EVP and Chief Operations Officer

Arielle Meloul-Wechsler
EVP, Chief Human Resources Officer and Public Affairs

Mark Nasr
EVP, Marketing and Digital, and President of Aeroplan

Kevin O'Connor
SVP, Global Airports & Operations Control

Murray Strom
SVP, Flight Operations and Maintenance

Key industry awards

2025 Airline Passenger Experience Association Awards

- ✓ Five Star Global Airline Award

2024 Skytrax World Airline Awards

- ✓ World’s Best Business Class Airline Lounge Catering (Toronto Air Canada Signature Suite)
- ✓ Best Cabin Crew in Canada
- ✓ Most Family Friendly Airline in North America
- ✓ Best Premium Economy Class Onboard Catering in North America
- ✓ Cleanest Airline in North America

2024 World Travel Awards

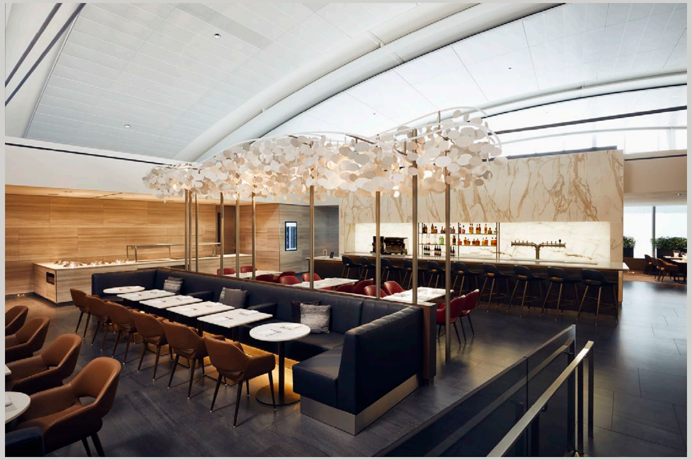
- ✓ World's Leading Airline to North America

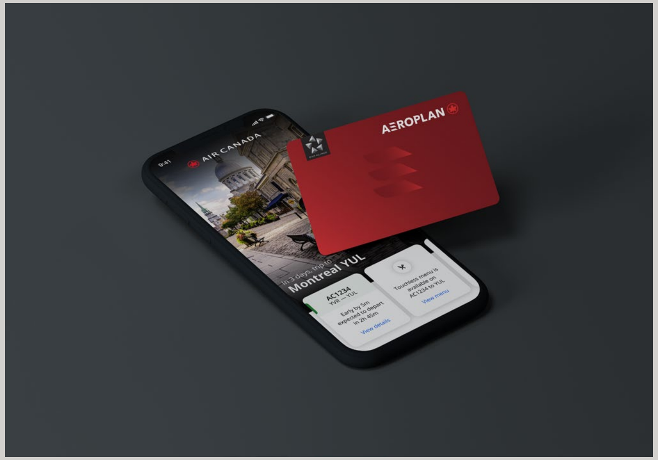
2024 TravelPulse Canada Readers' Choice Awards

- ✓ Best Digital Brochure (Air Canada Vacations)
- ✓ Tour Operator of the Year (Air Canada Vacations)
- ✓ Airline of the Year

Global Traveler’s Magazine12th Annual Leisure Lifestyle Awards

- ✓ Best Airline for Onboard Entertainment
- ✓ Best Premium-Economy Class
- ✓ Outstanding Environmental Initiatives





2025 guidance*

Capacity	Adjusted CASM	Adjusted EBITDA	Free Cash Flow
3% to 5% increase versus 2024	Between 14.25¢ and 14.50¢	Between $3.4B and $3.8B	Breakeven +/- $200M

*Air Canada made assumptions in providing its guidance—including moderate Canadian GDP growth for 2025. Air Canada also assumes that the Canadian dollar will trade, on average, at C$1.40 per U.S. dollar for the full year 2025 and that the price of jet fuel will average C$0.95 per litre for the full year 2025.

Air Canada's guidance constitutes forward-looking information within the meaning of applicable securities laws and is subject to important risks and uncertainties, including in relation to the potential impact of statements or actions by governments relating to the imposition of (or threats to impose) tariffs on exports or imports, and related consequences. Please see the discussion above under Caution Regarding Forward-looking Information.

Commercial update

Revenue environment

Continuing into 2025

- Booking trends in January aligned to expectations.
- Encouraging booking trends and yield signals for Q2 and Q3.

Capacity

Disciplined approach

- Adjusted some US leisure capacity from March onwards.
- Shifting some capacity from Pacific markets

Demand

Adaptability supported by network diversity

- Encouraging signals for sixth freedom demand, meaningful rebound for transatlantic market.
- Demand for sun markets continues to surpass expectations with booking curves shifting to closer to departure.

Path toward the 2030 vision

2028 objectives and 2030 aspirations*

	2028 Objectives	2030 Aspirations
Operating revenues	Approximately $30 billion	Exceed $30 billion
Adjusted EBITDA margin**	Greater than or equal to 17%	Between 18% and 20%
Net cash flows from operating activities as a percentage of adjusted EBITDA**	Approximately 90%	Approximately 90%
Additions to property, equipment and intangible assets as a percentage of operating revenues*	Lower than or equal to 12%	Lower than 12%
Free cash flow margin**	Approximately 5%	Approximately 5%
Return on invested capital**	Not provided	Greater than or equal to 12%
Fully diluted share count	Lower than 300 million shares	Lower than 300 million shares

*As communicated in Air Canada's news release dated February 13, 2025.

**Net cash flows from operating activities as a percentage of adjusted EBITDA, additions to property, equipment and intangible assets as a percentage of operating revenues, free cash flow margin and return on invested capital are non-GAAP financial 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. Please refer the Non-GAAP Financial Measures section of this presentation for further information and for a reconciliation to the most comparable GAAP measure.

Our strong foundation

- Balance sheet and liquidity management
- Fleet
- Global network
- Brand
- Leading products and services
- Air Canada Rouge and Air Canada Vacations
- Air Canada Cargo
- Technology
- People
- Aeroplan

Well-equipped for growth

Network
Canada's leading choice of destinations across 6 continents

Core financial performance drivers

Hubs
In the right cities with the right design to fuel growth

YYZ YUL YVR

Fleet
Fit-for-purpose under 3 brands

AIR CANADA | AIR CANADA EXPRESS | AIR CANADA rouge

Revenue enhancement toolkit

Partnerships
STAR ALLIANCE

Cargo
AIR CANADA CARGO

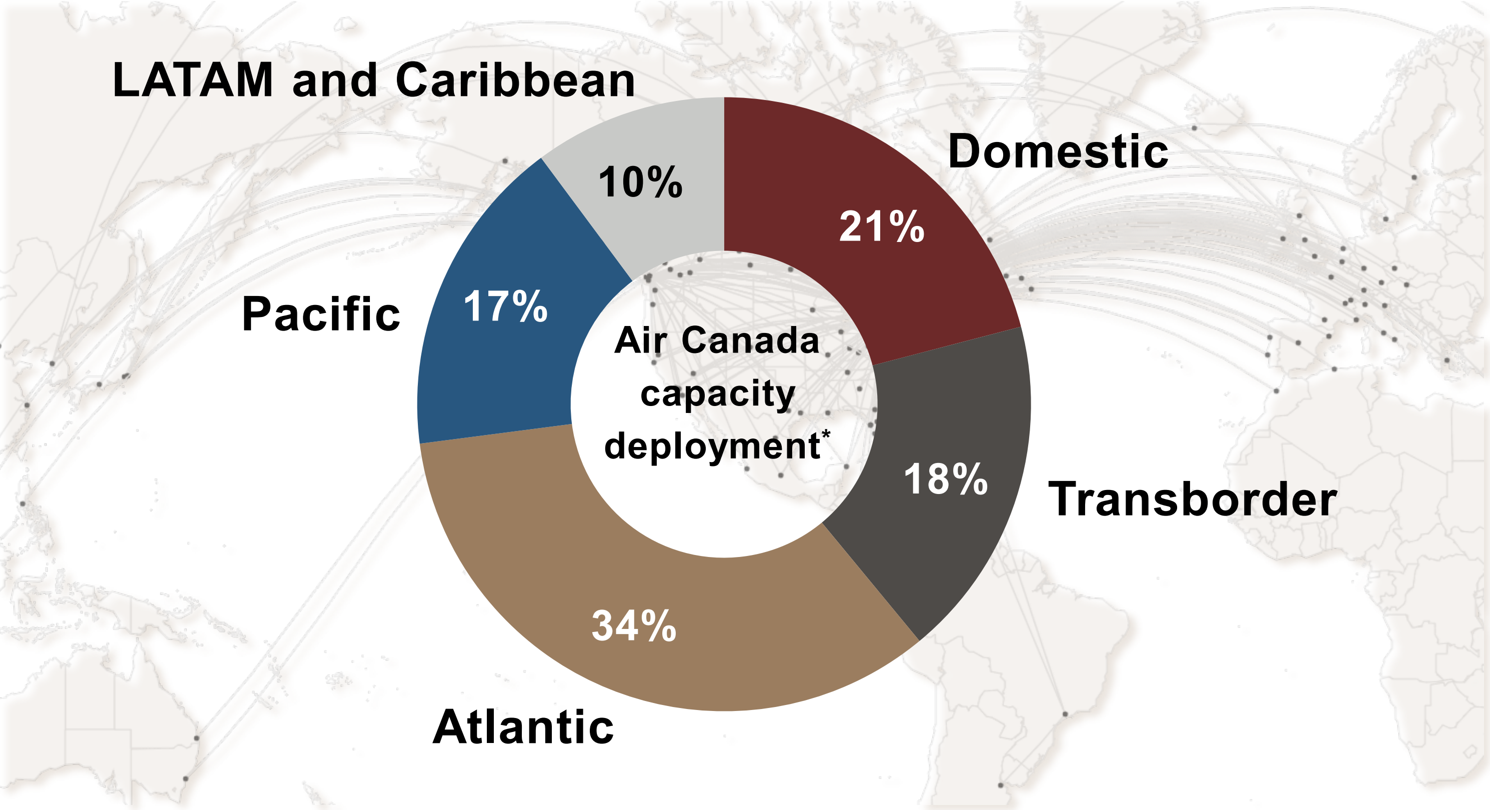
Vacations
AIR CANADA VACATIONS

RM Innovation

Aeroplan
AIR CANADA AEROPLAN

Product

Diversified and comprehensive network



YYZ – Toronto
Primary Global Hub

YVR – Vancouver
Premier Pacific Gateway

YUL – Montreal
Transatlantic Hub

Air Canada's revenue diversity provides flexibility to adapt to changing conditions

**Based January 1 to December 31, 2024 ASMs on scheduled passenger service*

Air Canada offers the shortest flight paths for 6th freedom customers

Air Canada's geographic advantage
Illustrative examples for the U.S. market

80% of the addressable U.S.-International market can efficiently connect through our hubs[1]

1. Defined as within 7% circuity of the non-stop option; 2. In 2024 dollars | Source: IATA DDS 2023 data, Air Canada analysis

Air Canada's 6th freedom ambitions

2.0%
6th freedom U.S. market share

~$900M
additional revenue opportunity[2]

Aeroplan – Transformation delivered: structural volume growth and margin expansion

2024 vs. 2019

1.9X 3rd-party remuneration

2.0X Operating margin contribution

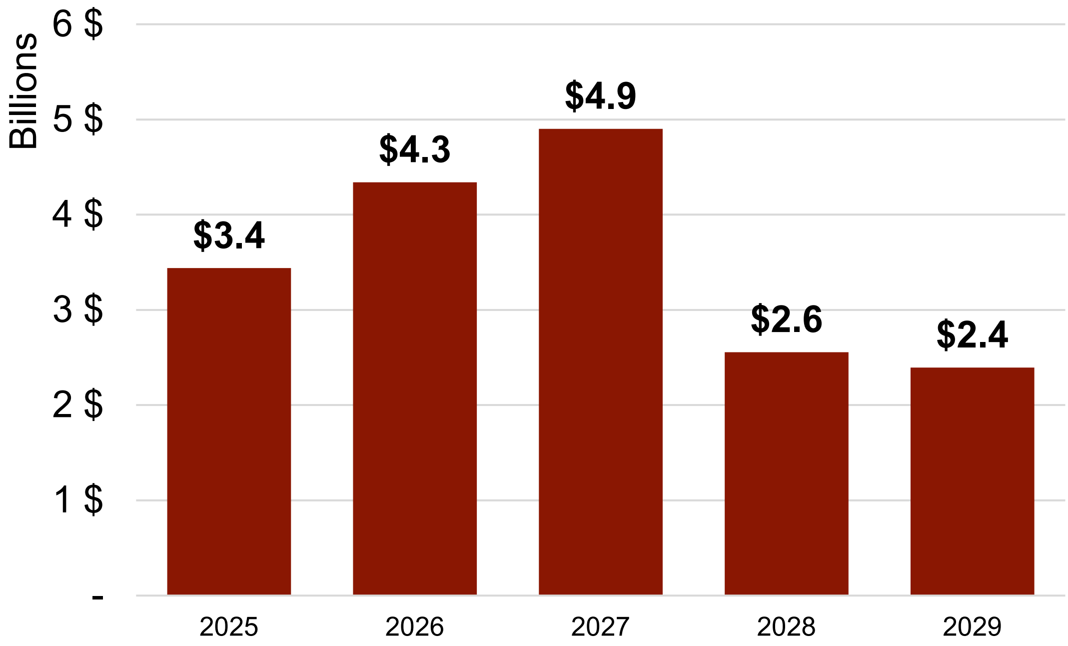
2028 vs. 2024

1.5X 3rd-party remuneration forecast growth

3rd-party remuneration based on 3rd-party gross billings, credit card benefit fees and other program access fees

Investing in modern fleet

Total projected expenditures [1]



[1] As per Air Canada’s 2024 MD&A. Graph includes committed expenditures and planned but uncommitted expenditures and capitalized maintenance.

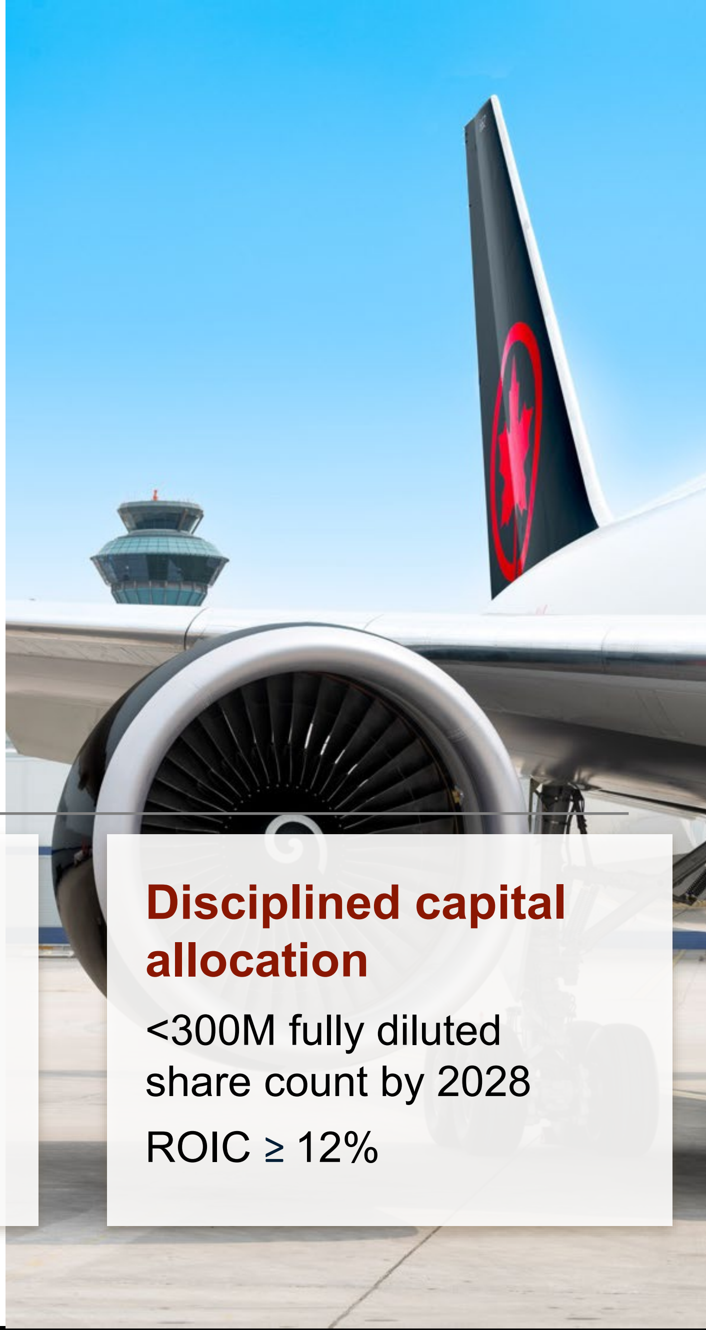
Incoming Aircraft [2]				
	2025	**2026**	**2027-2030**	**Total**
Boeing 787-9	1	0	0	**1**
Boeing 787-10	0	3	15	**18**
Boeing 767-300ER	2	0	0	**2**
Boeing 737 MAX [3]	6	5	0	**11**
Airbus A321XLR	2	11	17	**30**
Airbus A220	10	16	5	**31**
Total	**21**	**35**	**37**	**93**

- Expecting +90 aircraft in next five years
- Strategic investments in more efficient wide- and narrow-body aircraft

[2] Fleet plan as per Air Canada’s 2024 MD&A.
[3] In June 2024, Air Canada entered into lease agreements for eight additional Boeing 737 MAX 8 aircraft, of which one was delivered in June 2024 and two were delivered to date in 2025. In February 2025, Air Canada reduced the total number of aircraft to seven, which are scheduled to enter the operating fleet during 2025.

Balance Sheet strategy

- Exceptional resilience and rapidly available liquidity
- Reliable FCF generation
- Stable gross debt
- Low leverage and investment grade-like credit quality and cost



2028 Liquidity, FCF, debt management & capital allocation objectives*

Resilient liquidity

>15% of revenue on-hand

>$10B accessible

Reliable FCF generation

~5% FCF margin

Responsible debt management

<2x leverage ratio

Disciplined capital allocation

<300M fully diluted share count by 2028

ROIC ≥ 12%

*As communicated in Air Canada's February 13, 2025 news release. Please see the discussion above under Caution Regarding Forward-looking Information.

Strong value creation*

A unique value creation opportunity – 2030 aspiration

- >$30B revenues by 2030, Accelerated revenue growth 7-8% p.a.
- 18-20% adj. EBITDA margin. Margin expansion of 300bps+ returning to pre-pandemic highs.
- ~5% FCF margin. <12% CAPEX investment levels. Structural FCF margin of ~5%
- Shareholder returns. <300M fully diluted shares outstanding. Deploying >$2B to shareholder returns.

Performance culture, disciplined management and superior balance sheet enhance risk / reward proposition

*As communicated in Air Canada's February 13, 2025 news release. Please see the discussion above under Caution Regarding Forward-looking Information.

Thank you

aircanada.com

Appendix

Glossary

Aeroplan – Refers to Aeroplan Inc. or the Aeroplan program.

Available seat miles or ASMs – Refers to a measure of passenger capacity calculated by multiplying the total number of seats available for passengers by the miles flown.

CASM – Refers to operating expense per ASM.

Passenger load factor – Refers to a measure of passenger capacity utilization derived by expressing Revenue Passenger Miles as a percentage of ASMs.

Passenger revenue per available seat mile or PRASM – Refers to average passenger revenue per ASM.

Revenue passenger carried – Refers to the International Air Transport Association's definition of passenger carried whereby passengers are counted on a flight number basis rather than by journey/itinerary or by leg.

Revenue passenger miles or RPMs – Refers to a measure of passenger traffic calculated by multiplying the total number of revenue passengers carried by the miles they are carried.

Yield – Refers to average passenger revenue per RPM.

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. The non-GAAP financial measures or ratios described in this section typically have exclusions or adjustments that include one or more of the following characteristics, such as being highly variable, difficult to project, unusual in nature, significant to the results of a particular period or not indicative of past or future operating results. These items are excluded because the company believes these 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 may allow for a more meaningful comparison to other airlines.

Air Canada excludes the effect of impairment of assets, if any, when calculating adjusted CASM, adjusted EBITDA, adjusted EBITDA margin, adjusted pre-tax income (loss) and adjusted net income (loss) as it may distort the analysis of certain business trends and render comparative analysis across periods or to other airlines less meaningful. Air Canada did not record charges for impairment of assets in 2024 or in 2023.

A charge of $34 million was recorded in the third quarter of 2024 in other operating expenses related to estimated costs associated with contractual lease obligations. Air Canada excluded this expense in computing adjusted CASM, adjusted EBITDA, adjusted pre-tax income and adjusted net income.

With ratification of the collective agreement with ALPA, in the fourth quarter of 2024, Air Canada recorded a one-time pension past service cost of $490 million in the fourth quarter of 2024 as a result of certain pension plan amendments made in conjunction with the collective agreement. Air Canada excluded this charge in computing adjusted CASM, adjusted EBITDA, adjusted pre-tax income and adjusted net income.

Non-GAAP Financial Measures (Cont'd)

Adjusted Cost per Available Seat Mile

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, freighter costs and other items discussed above. 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 may allow for 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 six Boeing 767 dedicated freighter aircraft in service as at December 31, 2024, and seven as at December 31, 2023. 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		
	2024	2023	Change	2024	2023	Change
Operating expense – GAAP	$ 5,658	$ 5,096	$ 562	$ 20,992	$ 19,554	$ 1,438
Adjusted for:						
Aircraft fuel	(1,154)	(1,391)	237	(5,118)	(5,318)	200
Ground package costs	(208)	(177)	(31)	(782)	(720)	(62)
Freighter costs (excluding fuel)	(50)	(46)	(4)	(163)	(157)	(6)
Provision for contractual lease obligations	-	-	-	(34)	-	(34)
Pension plan amendments	(490)	-	(490)	(490)	-	(490)
Operating expense, adjusted for the above-noted items	$ 3,756	$ 3,482	$ 274	14,405	13,359	1,046
ASMs (millions)	24,949	24,439	2.1%	104,381	99,012	5.4%
Adjusted CASM (cents)	¢ 15.05	¢ 14.25	¢ 0.80	¢ 13.80	¢ 13.49	¢ 0.31

Non-GAAP Financial Measures (Cont'd)

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) and adjusted EBITDA margin (adjusted EBITDA as a percentage of operating revenues) are commonly used in the airline industry and are used by Air Canada as a means to view operating results and the related margin before interest, taxes, depreciation and amortization and other items discussed above. These items can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets.

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

(Canadian dollars in millions, except where indicated)	Fourth Quarter			Full Year		
	2024	2023	Change	2024	2023	Change
Operating income (loss) – GAAP	$ (254)	$ 79	$ (333)	$ 1,263	$ 2,279	$ (1,016)
Add back:						
Depreciation and amortization	460	442	18	1,799	1,703	96
EBITDA	206	521	(315)	3,062	3,982	(920)
Add back:						
Provision for contractual lease obligations	-	-	-	34	-	34
Pension plan amendments	490	-	490	490	-	490
Adjusted EBITDA	$ 696	$ 521	$ 175	$ 3,586	$ 3,982	$ (396)
Operating revenues	$ 5,404	$ 5,175	$ 229	$ 22,255	$ 21,833	$ 422
Operating margin (%)	(4.7)	1.5	(6.2) pp	5.7	10.4	(4.7) pp
Adjusted EBITDA margin (%)	12.9	10.1	2.8 pp	16.1	18.2	(2.1) pp

Non-GAAP Financial Measures (Cont'd)

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 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 and other items discussed above. 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:

(Canadian dollars in millions)	Fourth Quarter			Full Year		
	2024	2023	$ Change	2024	2023	$ Change
Net income (loss) – GAAP	$ (644)	$ 184	$ (828)	$ 1,720	$ 2,276	$ (556)
Adjusted for:						
Provision for contractual lease obligations	-	-	-	34	-	34
Pension plan amendments	490	-	490	490	-	490
Foreign exchange (gain) loss	372	(72)	444	400	(389)	789
Net interest relating to employee benefits	(6)	(7)	1	(22)	(25)	3
(Gain) loss on financial instruments recorded at fair value	38	(91)	129	(28)	(115)	87
(Gain) loss on debt settlements and modifications	(38)	1	(39)	8	10	(2)
Income tax, including for the above reconciling items (1)	(119)	(59)	(60)	(1,267)	(44)	(1,223)
Adjusted net income (loss)	$ 93	$ (44)	$ 137	$ 1,335	$ 1,713	$ (378)
Weighted average number of outstanding shares used in computing diluted income per share (in millions)	374	358	16	376	376	-
Adjusted earnings (loss) per share – diluted	$ 0.25	$ (0.12)	$ 0.37	$ 3.55	$ 4.56	$ (1.01)

(1) *In the third quarter of 2024, previously unrecognized deferred income tax assets were recognized which included a deferred income tax recovery of $1,154 million recorded in the consolidated statement of operations. This deferred income tax recovery of $1,154 million is removed from the adjusted net income. In 2023, the deferred income tax expense recorded in other comprehensive income related to remeasurements on employee benefit liabilities was offset by a deferred income tax recovery that was recorded through Air Canada's consolidated statement of operations. This recovery was removed from adjusted net income.*

Non-GAAP Financial Measures (Cont’d)

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.

(Canadian dollars in millions)	Fourth Quarter			Full Year		
	2024	2023	$ Change	2024	2023	$ Change
Net cash flows from operating activities	$ 677	$ 985	$ (308)	$ 3,930	$ 4,320	$ (390)
Additions to property, equipment, and intangible assets	(1,172)	(316)	(856)	(2,636)	(1,564)	(1,072)
Free cash flow	$ (495)	$ 669	$ (1,164)	$ 1,294	$ 2,756	$ (1,462)

Non-GAAP Financial Measures (Cont'd)

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.

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.

The table below reconciles leverage ratio to Air Canada's debt net balances as at the dates indicated.

(Canadian dollars in millions)		December 31, 2024		December 31, 2023		Change
Total long-term debt and lease liabilities	$	10,915	$	12,996	$	(2,081)
Current portion of long-term debt and lease liabilities		1,755		866		889
Total long-term debt and lease liabilities (including current portion)		12,670		13,862		(1,192)
Less cash, cash equivalents and short and long-term investments		(7,752)		(9,295)		1,543
Net debt (1)	$	4,918	$	4,567	$	351
Adjusted EBITDA (trailing 12 months)	$	3,586		3,982		(396)
Net debt to adjusted EBITDA ratio (1)		1.4		1.1		0.3