



**2018**  
**Consolidated Financial Statements**  
**Restated for IFRS 16 Leases**  
**April 1, 2019**



A STAR ALLIANCE MEMBER 



## AIR CANADA – RESTATED 2018 FINANCIAL STATEMENTS FOR IFRS 16

### **IFRS 16 – Leases**

IFRS 16 replaces IAS 17 Leases and related interpretations. The core principle is that a lessee recognizes assets and liabilities for all leases with a lease term of more than 12 months. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement of the lease liability includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. Purchase options which are reasonably certain of being exercised are also included in the measurement of the lease liability. Lease payments will not include variable lease payments other than those that depend on an index or rate. The right-of-use asset will be derived from the calculation of the lease liability and will also include any provisions the lessee will owe for return conditions on leased assets.

The new standard is intended to provide an improved representation of leasing transactions, in particular those that do not currently require the lessee to recognize an asset and liability arising from an operating lease. IFRS 16 is effective for annual periods beginning on January 1, 2019. Entities have the option of adopting a full retrospective approach or a modified retrospective approach on transition to IFRS 16.

Air Canada adopted the standard effective January 1, 2019 using the full retrospective method, which requires each prior reporting period presented to be restated. Refer to Note 2 of Air Canada's 2018 audited consolidated financial statements for additional information on IFRS 16. The 2018 financial statements, restated to reflect the adoption of IFRS 16, are presented below.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION - RESTATED FOR IFRS 16

Unaudited (Canadian dollars in millions)	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
<b>ASSETS</b>				
<b>Current</b>				
Cash and cash equivalents	\$ 1,197	\$ 856	\$ 852	\$ 630
Short-term investments	3,299	3,814	4,070	4,077
Total cash, cash equivalents and short-term investments	4,496	4,670	4,922	4,707
Restricted cash	92	71	116	161
Accounts receivable	891	976	960	796
Aircraft fuel inventory	75	99	117	109
Spare parts and supplies inventory	117	110	109	111
Prepaid expenses and other current assets	307	352	370	417
Assets held for sale	-	296	-	-
Total current assets	5,978	6,574	6,594	6,301
Deposits and other assets	412	362	367	401
Property and equipment	12,426	12,534	12,383	12,183
Pension assets	1,571	2,383	2,243	1,969
Deferred income tax	691	440	261	314
Intangible assets	333	350	371	404
Goodwill	311	311	311	311
<b>Total assets</b>	<b>\$ 21,722</b>	<b>\$ 22,954</b>	<b>\$ 22,530</b>	<b>\$ 21,883</b>
<b>LIABILITIES</b>				
<b>Current</b>				
Accounts payable and accrued liabilities	\$ 2,013	\$ 1,903	\$ 1,995	\$ 1,911
Advance ticket sales	3,041	3,530	2,759	2,717
Current portion of long-term debt and lease liabilities	1,152	973	980	1,048
Total current liabilities	6,206	6,406	5,734	5,676
Long-term debt and lease liabilities	8,895	9,402	8,934	8,873
Pension and other benefit liabilities	2,575	2,502	2,447	2,547
Maintenance provisions	1,201	1,241	1,237	1,307
Other long-term liabilities	148	131	145	151
Deferred income tax	49	49	110	52
<b>Total liabilities</b>	<b>\$ 19,074</b>	<b>\$ 19,731</b>	<b>\$ 18,607</b>	<b>\$ 18,606</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	801	799	803	798
Contributed surplus	69	72	73	75
Hedging reserve	-	(2)	4	-
Retained earnings	1,778	2,354	3,043	2,404
Total shareholders' equity	2,648	3,223	3,923	3,277
<b>Total liabilities and shareholders' equity</b>	<b>\$ 21,722</b>	<b>\$ 22,954</b>	<b>\$ 22,530</b>	<b>\$ 21,883</b>



## CONSOLIDATED STATEMENT OF OPERATIONS - RESTATED FOR IFRS 16

Unaudited (Canadian dollars in millions except per share figures)	Three months ended				Full Year
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	2018
<b>Operating revenues</b>					
Passenger	\$ 3,489	\$ 3,921	\$ 5,018	\$ 3,795	\$ 16,223
Cargo	168	200	218	217	803
Other	414	212	179	234	1,039
<b>Total revenues</b>	<b>4,071</b>	<b>4,333</b>	<b>5,415</b>	<b>4,246</b>	<b>18,065</b>
<b>Operating expenses</b>					
Aircraft fuel	825	964	1,222	958	3,969
Regional airlines expense	606	642	649	622	2,519
Wages, salaries and benefits	700	711	743	719	2,873
Airport and navigation fees	221	237	281	225	964
Aircraft maintenance	206	214	238	245	903
Depreciation, amortization and impairment	418	431	428	440	1,717
Sales and distribution costs	189	199	237	182	807
Ground package costs	276	114	86	126	602
Catering and onboard services	96	108	125	104	433
Communications and information technology	79	67	79	69	294
Other	369	338	404	377	1,488
<b>Total operating expenses</b>	<b>3,985</b>	<b>4,025</b>	<b>4,492</b>	<b>4,067</b>	<b>16,569</b>
<b>Operating income (loss)</b>	<b>86</b>	<b>308</b>	<b>923</b>	<b>179</b>	<b>1,496</b>
<b>Non-operating income (expense)</b>					
Foreign exchange gain (loss)	(197)	(82)	145	(444)	(578)
Interest income	20	24	32	32	108
Interest expense	(142)	(143)	(140)	(142)	(567)
Interest capitalized	13	7	7	8	35
Net financing expense relating to employee benefits	(12)	(13)	(13)	(12)	(50)
Gain (loss) on financial instruments recorded at fair value	1	(9)	10	(3)	(1)
Gain (loss) on debt settlements and modifications	11	(1)	(1)	-	9
Loss on disposal of assets	-	(186)	(2)	-	(188)
Other	(9)	(11)	(7)	(9)	(36)
<b>Total non-operating income (expense)</b>	<b>(315)</b>	<b>(414)</b>	<b>31</b>	<b>(570)</b>	<b>(1,268)</b>
<b>Income (loss) before income taxes</b>	<b>(229)</b>	<b>(106)</b>	<b>954</b>	<b>(391)</b>	<b>228</b>
Income tax (expense) recovery	26	4	(252)	31	(191)
<b>Net income (loss) for the period</b>	<b>\$ (203)</b>	<b>\$ (102)</b>	<b>\$ 702</b>	<b>\$ (360)</b>	<b>\$ 37</b>
<b>Net income (loss) per share</b>					
Basic earnings (loss) per share	\$ (0.74)	\$ (0.37)	\$ 2.58	\$ (1.33)	\$ 0.14
Diluted earnings (loss) per share	\$ (0.74)	\$ (0.37)	\$ 2.55	\$ (1.33)	\$ 0.13



## CONSOLIDATED STATEMENT OF CASH FLOW - RESTATED FOR IFRS 16

Unaudited (Canadian dollars in millions)	Three months ended				Full Year
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	2018
<b>Cash flows from (used for)</b>					
<b>Operating</b>					
Net income (loss) for the period	\$ (203)	\$ (102)	\$ 702	\$ (360)	\$ 37
Adjustments to reconcile to net cash from operations					
Deferred income tax	(26)	(4)	243	(28)	185
Depreciation, amortization and impairment	418	431	428	440	1,717
Foreign exchange (gain) loss	175	71	(134)	477	589
Gain on debt settlements and modifications	(11)	1	1	-	(9)
Loss on disposal of assets	-	186	2	-	188
Employee benefit funding less than expense	69	68	67	53	257
Financial instruments recorded at fair value	(1)	1	(5)	19	14
Change in maintenance provisions	42	43	42	41	168
Changes in non-cash working capital balances	811	393	(812)	(106)	286
Other	17	(7)	16	12	38
<b>Net cash flows from operating activities</b>	<b>1,291</b>	<b>1,081</b>	<b>550</b>	<b>548</b>	<b>3,470</b>
<b>Financing</b>					
Proceeds from borrowings	689	521	-	-	1,210
Reduction of long-term debt and lease obligations	(351)	(495)	(352)	(508)	(1,706)
Shares purchased for cancellation	(1)	(22)	-	(50)	(73)
Issue of shares	1	1	3	-	5
Financing fees	(4)	(4)	-	(4)	(12)
<b>Net cash flows from (used in) financing activities</b>	<b>334</b>	<b>1</b>	<b>(349)</b>	<b>(562)</b>	<b>(576)</b>
<b>Investing</b>					
Short-term investments	(121)	(504)	(259)	36	(848)
Additions to property, equipment and intangible assets	(973)	(957)	(246)	(260)	(2,436)
Proceeds from sale of assets	1	5	4	1	11
Proceeds from sale and leaseback of assets	-	-	293	-	293
Other	15	30	3	(1)	47
<b>Net cash flows used in investing activities</b>	<b>(1,078)</b>	<b>(1,426)</b>	<b>(205)</b>	<b>(224)</b>	<b>(2,933)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>8</b>	<b>3</b>	<b>-</b>	<b>16</b>	<b>27</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>555</b>	<b>(341)</b>	<b>(4)</b>	<b>(222)</b>	<b>(12)</b>
Cash and cash equivalents, beginning of period	642	1,197	856	852	642
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,197</b>	<b>\$ 856</b>	<b>\$ 852</b>	<b>\$ 630</b>	<b>\$ 630</b>