First Quarter 2025

INTERIM UNAUDITED
Condensed Consolidated
Financial Statements and Notes

May 8, 2025

AIR CANADA

A STAR ALLIANCE MEMBER

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited (Canadian dollars in millions)		**March 31, 2025**	**December 31, 2024**
ASSETS			
Current			
Cash and cash equivalents		$ 3,361	$ 2,518
Short-term investments		3,729	4,464
Total cash, cash equivalents and short-term investments		7,090	6,982
Accounts receivable		1,112	1,089
Aircraft fuel inventory		161	192
Spare parts and supplies inventory		210	199
Prepaid expenses and other current assets		451	600
Total current assets		9,024	9,062
Investments, deposits and other assets		1,278	1,080
Property and equipment		13,528	13,049
Pension assets		2,562	2,535
Deferred income tax		1,107	1,039
Intangible assets		1,183	1,170
Goodwill		3,273	3,273
Total assets		**$ 31,955**	**$ 31,208**
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 3,924	$ 3,718
Advance ticket sales		5,422	4,387
Aeroplan and other deferred revenue		1,574	1,588
Current portion of long-term debt and lease liabilities	Note 3	2,016	1,755
Total current liabilities		12,936	11,448
Long-term debt and lease liabilities	Note 3	10,710	10,915
Aeroplan and other deferred revenue		2,941	2,952
Pension and other benefit liabilities		1,856	1,842
Maintenance provisions		1,313	1,431
Other long-term liabilities		134	159
Deferred income tax		73	73
Total liabilities		**$ 29,963**	**$ 28,820**
SHAREHOLDERS' EQUITY			
Share capital		2,493	2,612
Contributed surplus		156	149
Accumulated other comprehensive loss		(54)	(48)
Deficit		(603)	(325)
Total shareholders' equity		1,992	2,388
Total liabilities and shareholders' equity		**$ 31,955**	**$ 31,208**

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

CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited **(Canadian dollars in millions except per share figures)**		**Three months ended March 31** **2025**	**2024**
Operating revenues			
Passenger	Note 9	$ 4,331	$ 4,443
Cargo	Note 9	250	215
Other		615	568
Total revenues		**5,196**	**5,226**
Operating expenses			
Aircraft fuel		1,186	1,254
Wages, salaries and benefits		1,139	1,108
Depreciation, amortization and impairment		495	442
Airport and navigation fees		357	348
Aircraft maintenance		333	315
Sales and distribution costs		265	266
Capacity purchase fees		220	208
Ground package costs		373	335
Communications and information technology		192	186
Catering and onboard services		137	155
Other	Note 10	607	598
Total operating expenses		**5,304**	**5,215**
Operating income (loss)		**(108)**	**11**
Non-operating income (expense)			
Foreign exchange gain (loss)		(11)	59
Interest income		75	125
Interest expense	Note 3	(178)	(217)
Interest capitalized		13	7
Financial instruments recorded at fair value	Note 8	54	11
Loss on debt settlements	Note 3	-	(46)
Other		(12)	(15)
Total non-operating expense		**(59)**	**(76)**
loss before income taxes		**(167)**	**(65)**
Income tax recovery (expense)	Note 4	65	(16)
Net loss for the period		**$ (102)**	**$ (81)**
Net loss per share	Note 6		
Basic loss per share		$ (0.31)	$ (0.22)
Diluted loss per share		$ (0.40)	$ (0.22)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Unaudited (Canadian dollars in millions)		**Three months ended March 31 2025**	**Three months ended March 31 2024**
Comprehensive loss			
Net loss for the period		$ (102)	$ (81)
Other comprehensive income (loss), net of tax:	Note 4		
Items that will not be reclassified to net income			
Remeasurements on net employee benefits		26	(8)
Remeasurements on equity investments		(6)	(8)
Total comprehensive loss		**$ (82)**	**$ (97)**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited (Canadian dollars in millions)	**Share capital**	**Contributed surplus**	**Accumulated other comprehensive loss**	**Deficit**	**Total shareholders' equity**
January 1, 2024	$ 2,744	$ 133	$ (57)	$ (2,024)	$ 796
Net loss	–	–	–	(81)	(81)
Remeasurements on net employee benefits	–	–	–	(8)	(8)
Remeasurements on equity investments	–	–	(8)	–	(8)
Total comprehensive loss	–	–	(8)	(89)	(97)
Share-based compensation	–	6	–	–	6
March 31, 2024	$ 2,744	139	(65)	(2,113)	705
January 1, 2025	$ 2,612	$ 149	$ (48)	$ (325)	$ 2,388
Net loss	–	–	–	(102)	(102)
Remeasurements on net employee benefits	–	–	–	26	26
Remeasurements on equity investments	–	–	(6)	–	(6)
Total comprehensive loss	–	–	(6)	(76)	(82)
Share-based compensation	–	7	–	–	7
Shares purchased and cancelled under issuer bid (Note 5)	(119)	–	–	(202)	(321)
March 31, 2025	$ 2,493	156	(54)	(603)	1,992

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

CONSOLIDATED STATEMENTS OF CASH FLOW

Unaudited (Canadian dollars in millions)		**Three months ended March 31**	
		2025	**2024**
Cash flows from (used in)			
Operating			
Net loss for the period		$ (102)	$ (81)
Adjustments to reconcile to net cash from operations			
Deferred income tax	Note 4	(78)	11
Depreciation, amortization and impairment		495	442
Foreign exchange loss (gain)		46	(1)
Employee benefit funding less than expense		27	22
Financial instruments recorded at fair value	Note 8	(54)	(11)
Loss on debt settlements		-	46
Change in maintenance provisions		62	45
Changes in non-cash working capital balances		1,167	1,130
Other		(37)	(11)
Net cash flows from operating activities		**1,526**	**1,592**
Financing			
Proceeds from borrowings	Note 3	-	1,590
Reduction of long-term debt and lease liabilities	Note 3	(234)	(3,265)
Shares purchased for cancellation	Note 5	(327)	-
Financing fees	Note 3	-	(30)
Net cash flows used in financing activities		**(561)**	**(1,705)**
Investing			
Short-term investments, net		531	449
Disposals of long-term investments		317	559
Purchases of long-term investments		(310)	(465)
Additions to property, equipment and intangible assets		(695)	(536)
Other		20	-
Net cash flows from (used in) investing activities		**(137)**	**7**
Effect of exchange rate changes on cash and cash equivalents		**15**	**5**
Increase (decrease) in cash and cash equivalents		**843**	**(101)**
Cash and cash equivalents, beginning of period		2,518	2,817
Cash and cash equivalents, end of period		**$ 3,361**	**$ 2,716**

Cash payments of interest	Note 3	**$ 200**	**$ 271**
Cash payments of income taxes		**$ 46**	**$ 1**

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

1. GENERAL INFORMATION

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

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

The Corporation has historically experienced greater demand for its services in the second and third quarters of the calendar year, primarily due to the high number of leisure travellers and their preference for travel during the spring and summer months. The financial results for the three months ended March 31, 2025 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, 2024. In management’s opinion, the financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim period presented.

These financial statements were approved for issue by the Board of Directors of the Corporation on May 8, 2025.

These financial statements are based on the accounting policies consistent with those disclosed in Note 2 to the 2024 annual consolidated financial statements.

3. LONG-TERM DEBT AND LEASE LIABILITIES

	Final Maturity	Weighted Average Interest Rate (%)	March 31, 2025 (Canadian dollars in millions)	December 31, 2024 (Canadian dollars in millions)
Aircraft financing				
Fixed rate U.S. dollar financing	2025 – 2030	5.15	$ 2,868	$ 2,930
Floating rate U.S. dollar financing	2027	6.70	244	263
Fixed rate CDN dollar financing	2026 – 2030	3.78	147	147
Fixed rate Japanese yen financing	2027	1.84	113	107
Convertible notes	2025	4.00	387	381
Credit facility – CDN dollar	2028	1.21	1,141	1,131
Senior secured notes – CDN dollar	2029	4.63	2,000	2,000
Senior secured notes – U.S. dollar	2026	3.88	1,726	1,726
Senior secured credit facility – U.S. dollar	2031	6.32	1,639	1,641
Long-term debt		**4.52**	**10,265**	**10,326**
Lease liabilities				
Air Canada aircraft	2025 – 2037	5.71	1,519	1,381
Regional aircraft	2025 – 2035	5.44	580	619
Land and buildings	2025 – 2078	5.35	444	433
Lease liabilities		**5.59**	**2,543**	**2,433**
Total debt and lease liabilities excluding unamortized debt issuance costs and discounts		**4.73**	**12,808**	**12,759**
Unamortized debt issuance costs and discounts			**(82)**	(89)
Total debt and lease liabilities			**12,726**	**12,670**
Current portion – Long-term debt			(1,450)	(1,163)
Current portion – Air Canada aircraft			(408)	(411)
Current portion – Regional aircraft			(129)	(153)
Current portion – Land and buildings			(29)	(28)
Total current portion			**(2,016)**	(1,755)
Long-term debt and lease liabilities			**$ 10,710**	**$ 10,915**

The above table provides terms of instruments disclosed in Note 8 to the 2024 annual consolidated financial statements of the Corporation.

Air Canada's US$975 million revolving credit facility maturing in 2029 is undrawn as of March 31, 2025.

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 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 in the first quarter of 2024.

The Corporation has recorded Interest expense as follows:

(Canadian dollars in millions)	Three months ended March 31	
	2025	2024
Interest on debt	$ 142	$ 181
Interest on lease liabilities		
Air Canada aircraft	30	20
Regional aircraft	5	10
Land and buildings	1	6
Interest expense	**$ 178**	**$ 217**

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

(Canadian dollars in millions)	Three months ended March 31	
	2025	2024
Short-term leases	$ 3	$ 4
Variable lease payments not included in lease liabilities	18	16
Expense related to leases (included in Other operating expenses)	**$ 21**	**$ 20**

Total cash outflows for payments on lease liabilities was $185 million for the three months ended March 31, 2025 ($162 million for the three months ended March 31, 2024), of which $149 million was for principal repayments ($126 million for the three months ended March 31, 2024).

Maturity Analysis

Principal and interest repayment requirements as at March 31, 2025 on Long-term debt and lease liabilities are as follows. U.S. dollar amounts are converted using the March 31, 2025 closing rate of CDN$1.4387.

Principal (Canadian dollars in millions)	Remainder of 2025	2026	2027	2028	2029	Thereafter	Total
Long-term debt obligations(1)	$ 1,091	2,529	1,107	1,377	2,309	2,026	**10,439**
Air Canada aircraft	321	362	273	200	108	255	**1,519**
Regional aircraft	114	54	43	42	42	285	**580**
Land and buildings	22	29	30	29	22	312	**444**
Lease liabilities	$ 457	445	346	271	172	852	**2,543**
Total long-term debt and lease liabilities	**$ 1,548**	**2,974**	**1,453**	**1,648**	**2,481**	**2,878**	**12,982**

Interest (Canadian dollars in millions)	Remainder of 2025	2026	2027	2028	2029	Thereafter	Total
Long-term debt obligations(1)	$ 292	397	273	234	217	133	**1,546**
Air Canada aircraft	62	65	46	32	20	49	**274**
Regional aircraft	21	22	19	17	15	45	**139**
Land and buildings	17	21	20	18	17	203	**296**
Lease liabilities	$ 100	108	85	67	52	297	**709**
Total long-term debt and lease liabilities	**$ 392**	**505**	**358**	**301**	**269**	**430**	**2,255**

(1) Assumes the principal balance of the convertible notes, $394 million (US$274 million) remains unconverted and includes estimated interest payable until maturity in July 2025. The full principal balance of $1,273 million for the unsecured credit facility and $1,674 million (US$1,163 million) for the term loan B is included.

Principal repayments in the table above exclude discounts and transaction costs of $82 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			
	Jan. 1, 2025	Borrowings	Repayments	Financing fees	Foreign exchange adjustments	Amortization of financing fees and other adjustments	New lease liabilities (new and modified contracts)	Mar. 31, 2025
Long-term debt	$ 10,326	$ -	$ (85)	$ -	$ 6	$ 18	$ -	$ 10,265
Air Canada aircraft	1,381	-	(102)	-		-	240	1,519
Regional aircraft	619	-	(39)	-	-	-	-	580
Land and buildings	433	-	(8)	-	1	-	18	444
Lease liabilities	2,433	-	(149)	-	1	-	258	2,543
Unamortized debt issuance costs and other adjustments	(89)	-	-	-	-	7	-	(82)
Total liabilities from financing activities	**$ 12,670**	**$ -**	**$ (234)**	**$ -**	**$ 7**	**$ 25**	**$ 258**	**$ 12,726**

4. INCOME TAXES

Income Tax Recovery (Expense)

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

	Three months ended March 31	
(Canadian dollars in millions)	**2025**	**2024**
Current income tax recovery (expense)	$ (13)	$ (5)
Deferred income tax recovery (expense)	78	(11)
Income tax recovery (expense)	**$ 65**	**$ (16)**

The Corporation's statutory tax rate for the three months ended March 31, 2025 was 26.49% (26.46% for the three months ended March 31, 2024).

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

	Three months ended March 31	
(Canadian dollars in millions)	**2025**	**2024**
Remeasurements on net employee benefits - current income tax recovery (expense)	$ -	$ -
- deferred income tax recovery (expense)	(10)	14
Income tax recovery (expense)	**$ (10)**	**$ 14**

5. SHARE CAPITAL

Normal Course Issuers Bid

In November 2024, Air Canada received approval from the Toronto Stock Exchange ("TSX") to launch a normal course issuer bid allowing it to purchase for cancellation, in accordance with the rules of the TSX and during the period from November 5, 2024 to November 4, 2025, up to 35,783,842 shares representing approximately 10% of the public float of its shares as at October 22, 2024.

In 2024, the Corporation purchased, for cancellation, 20,279,100 shares at an average cost of $23.92 per share for aggregate consideration of $485 million. The excess of the cost over the average book value of $330 million was charged to Deficit, together with $10 million in share buyback tax.

In the first quarter of 2025, Air Canada purchased an additional 15,504,742 shares for aggregate consideration of $315 million effectively purchasing the maximum amount of 35,783,842 shares available for purchase for cancellation under its Issuer Bid. The excess of the cost over the average book value of $196 million was charged to Deficit, together with $6 million in share buyback tax.

6. LOSS PER SHARE

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

	Three months ended March 31	
(in millions, except per share amounts)	**2025**	**2024**
Numerator:		
Net loss for the period	**$ (102)**	**$ (81)**
Effect of assumed conversion of convertible notes	(36)	15
Remove anti-dilutive impact	-	(15)
Adjusted numerator for diluted loss per share	**$ (138)**	**$ (81)**
Denominator:		
Weighted-average shares	**330**	**358**
Effect of potential dilutive securities:		
Stock options	-	-
Convertible notes	18	18
Remove anti-dilutive impact	-	(18)
Adjusted denominator for diluted loss per share	**348**	**358**
Basic loss per share	**$ (0.31)**	**$ (0.22)**
Diluted loss per share	**$ (0.40)**	**$ (0.22)**

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

7. CAPITAL COMMITMENTS

Capital commitments consist of the future firm aircraft deliveries and commitments related to acquisition of other property and equipment. The estimated aggregate cost of aircraft is based on delivery prices that include estimated escalation. U.S. dollar amounts are converted using the March 31, 2025 closing rate of CDN$1.4387. Minimum future commitments under these contractual arrangements are shown below.

(Canadian dollars in millions)	**Remainder of 2025**	**2026**	**2027**	**2028**	**2029**	**Thereafter**	**Total**
Capital commitments	$ 1,529	2,857	3,070	1,402	951	2,769	**12,578**

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Refer also to Note 16 to the 2024 annual consolidated financial statements for information on the Corporation's risk management strategy.

Summary of Gain on financial instruments recorded at fair value

	Three months ended March 31	
(Canadian dollars in millions)	**2025**	**2024**
Embedded derivative on convertible notes	$ 45	$ 3
Short-term and long-term investments	9	8
Gain on financial instruments recorded at fair value	**$ 54**	**$ 11**

Foreign Exchange Risk Management

As at March 31, 2025, the Corporation had outstanding foreign currency options and swap agreements, settling in 2025 and 2026, to purchase at maturity $11,092 million (US$7,713 million) of U.S. dollars at a weighted average rate of $1.3779 per $1.00 U.S. dollar (as at December 31, 2024 – $9,812 million (US$6,847 million) with settlements in 2025 and 2026 at a weighted average rate of $1.3457 per $1.00 U.S. dollar).

The hedging structures put in place have various option pricing features, such as knock-out terms and profit cap limitations, and based on the assumed volatility used in the fair value calculation, the net fair value of these foreign currency contracts as at March 31, 2025 was $31 million in favour of the counterparties (as at December 31, 2024 – $22 million in favour of the Corporation). These derivative instruments have not been designated as hedges for accounting purposes and are recorded at fair value. During the first quarter of 2025, foreign exchange gain (loss) related to these derivatives was $5 million gain ($290 million gain in the first quarter of 2024). In the first quarter of 2025, foreign exchange derivative contracts cash settled with a net fair value of $58 million in favour of the Corporation ($59 million in the first quarter of 2024 in favour of the Corporation).

Financial Instrument Fair Values in the Consolidated Statement of Financial Position

The carrying amounts reported in the consolidated statement of financial position for short-term financial assets and liabilities, which includes Accounts receivable and Accounts payable and accrued liabilities, approximate fair values due to the immediate or short-term maturities of these financial instruments. Cash equivalents and short and long-term investments are classified as held for trading and therefore are recorded at fair value. Cash and cash equivalents include $197 million related to funds held in trust by Air Canada Vacations in accordance with regulatory requirements governing advance sales for tour operators ($346 million at December 31, 2024).

The carrying amounts of derivatives are equal to their fair value, which is based on the amount at which they could be settled based on estimated market rates as at March 31, 2025.

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 $10,185 million compared to its carrying value of $10,265 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 2024 annual consolidated financial statements. There were no transfers within the fair value hierarchy during the three months ended March 31, 2025.

		Fair value measurements at reporting date using:		
(Canadian dollars in millions)	**March 31, 2025**	**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	$ 85	–	85	$ –
Short–term investments	3,729	–	3,729	–
Long–term investments	971	–	971	–
Equity investment in Chorus	42	42	–	–
Derivative instruments				
Foreign exchange derivatives	111	–	111	–
Total	**$ 4,938**	**42**	**4,896**	**$ –**
Financial Liabilities				
Derivative instruments				
Foreign exchange derivatives	142	–	142	–
Total	**$ 142**	**–**	**142**	**$ –**

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.

9. GEOGRAPHIC INFORMATION

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

Passenger Revenues (Canadian dollars in millions)	**Three months ended March 31**	
	2025	**2024**
Canada	$ 1,122	$ 1,121
U.S. Transborder	991	1,039
Atlantic	939	975
Pacific	631	671
Other	648	637
	$ 4,331	**$ 4,443**

Cargo Revenues (Canadian dollars in millions)	**Three months ended March 31**	
	2025	**2024**
Canada	$ 26	$ 25
U.S. Transborder	15	12
Atlantic	89	84
Pacific	76	62
Other	44	32
	$ 250	**$ 215**

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.

10. OTHER OPERATING EXPENSES

The following table provides a breakdown of other operating expenses for the periods indicated.

	Three months ended March 31	
(Canadian dollars in millions)	**2025**	**2024**
Terminal handling	$ 135	$ 131
Crew cycle	79	67
Building rent and maintenance	79	82
Miscellaneous fees and services	61	58
Remaining other expenses	253	260
Total other operating expenses	**$ 607**	**$ 598**

11. SUBSTANTIAL ISSUER BID

On May 8, 2025, Air Canada announced that the Board of Directors authorized a substantial issuer bid (the “Proposed Offer”) pursuant to which Air Canada intends to offer to purchase for cancellation up to $500 million of its shares. Air Canada anticipates that the terms and pricing of the Proposed Offer will be determined, and that the Proposed Offer will commence, on or about May 13, 2025, and will be completed before the end of June 2025.