Third Quarter 2026

INTERIM UNAUDITED
Condensed Consolidated
Financial Statements and Notes



October 29, 2026

AIR CANADA
A STAR ALLIANCE MEMBER

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited **(Canadian dollars in millions)**		**September 30, 2026**	**December 31, 2025**
ASSETS			
Current			
Cash and cash equivalents		$ 3,407	$ 2,795
Short-term investments		2,599	2,730
Total cash, cash equivalents and short-term investments		6,006	5,525
Accounts receivable		1,478	1,292
Aircraft fuel inventory		308	214
Spare parts and supplies inventory		328	276
Prepaid expenses and other current assets		555	609
Total current assets		8,675	7,916
Investments, deposits and other assets		1,012	959
Property and equipment	Note 12	15,624	14,515
Pension assets		2,451	2,513
Deferred income tax		649	774
Intangible assets		1,258	1,265
Goodwill		3,273	3,273
Total assets		**$ 32,942**	**$ 31,215**
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 4,807	$ 4,513
Advance ticket sales		5,517	4,814
Aeroplan and other deferred revenue	Note 10	1,851	1,840
Current portion of long-term debt and lease liabilities	Note 4	1,380	2,967
Total current liabilities		13,555	14,134
Long-term debt and lease liabilities	Note 4	9,473	8,609
Aeroplan and other deferred revenue	Note 10	2,781	2,779
Pension and other benefit liabilities	Note 3	1,320	1,534
Maintenance provisions		1,013	1,341
Other long-term liabilities		167	154
Deferred income tax		73	73
Total liabilities		**$ 28,382**	**$ 28,624**
SHAREHOLDERS' EQUITY			
Share capital	Note 6	1,955	2,275
Contributed surplus		173	166
Hedging reserve		-	(3)
Accumulated other comprehensive loss		(29)	(49)
Retained earnings (deficit)		(2)	202
Total shareholders' equity		2,097	2,591
Non-controlling interest	Notes 2 & 13	2,463	-
Total equity		4,560	2,591
Total liabilities and equity		**$ 32,942**	**$ 31,215**

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 September 30		Nine months ended September 30	
		2026	2025	2026	2025
Operating revenues					
Passenger	Note 10	$ 6,343	$ 5,244	$ 16,711	$ 14,606
Cargo	Note 10	317	239	901	742
Other		324	291	1,423	1,254
Total revenues		**6,984**	**5,774**	**19,035**	**16,602**
Operating expenses					
Aircraft fuel		2,118	1,212	5,025	3,546
Wages, salaries and benefits	Note 3	1,476	1,364	4,469	3,750
Depreciation, amortization and impairment		555	504	1,607	1,490
Airport and navigation fees		462	433	1,298	1,197
Aircraft maintenance		368	332	1,089	1,006
Sales and distribution costs		314	274	900	814
Capacity purchase fees		243	216	708	655
Ground package costs		114	103	710	633
Information technology		171	157	501	500
Catering and onboard services		208	178	561	488
Other	Note 11	694	717	2,004	1,929
Total operating expenses		**6,723**	**5,490**	**18,872**	**16,008**
Operating income		**261**	**284**	**163**	**594**
Non-operating income (expense)					
Foreign exchange gain		43	343	142	142
Interest income		73	40	187	174
Interest expense	Note 4	(149)	(162)	(466)	(508)
Interest capitalized		16	10	49	36
Financial instruments recorded at fair value	Note 9	(13)	16	(16)	76
Loss on debt settlements	Note 4	-	-	(56)	-
Gain on sale and leaseback of assets	Note 12	-	-	82	-
Other	Note 11	17	(20)	(30)	(67)
Total non-operating income (expense)		**(13)**	**227**	**(108)**	**(147)**
Income before income taxes		**248**	**511**	**55**	**447**
Income tax (expense)	Note 5	(102)	(247)	(39)	(99)
Net income for the period		**$ 146**	**$ 264**	**$ 16**	**$ 348**
Net income attributable to					
Shareholders of Air Canada		139	264	9	348
Non-controlling interests	Notes 2 & 13	7	-	7	-
Net income for the period		**146**	**264**	**16**	**348**
Net income per share attributable to shareholders of Air Canada	Note 7				
Basic earnings per share		$ 0.49	$ 0.89	$ 0.03	$ 1.10
Diluted earnings per share		$ 0.49	$ 0.88	$ 0.03	$ 0.90

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited (Canadian dollars in millions)		Three months ended September 30		Nine months ended September 30	
		2026	2025	2026	2025
Comprehensive income (loss)					
Net income for the period		$ 146	$ 264	$ 16	$ 348
Other comprehensive income (loss), net of tax:	Note 5				
Items that will not be reclassified to net income					
Remeasurements on net employee benefits	Note 3	46	141	550	261
Remeasurements on equity investments		14	1	20	2
Items that will be reclassified to net income					
Fuel derivatives designated as cash flow hedges	Note 9	34	(16)	3	–
Total comprehensive income		**$ 240**	**$ 390**	**$ 589**	**$ 611**
Comprehensive income attributable to:					
Shareholders of Air Canada		$ 233	390	$ 582	611
Non-controlling interests	Notes 2 & 13	7	-	7	-
Total comprehensive income		**$ 240**	**390**	**$ 589**	**611**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited (Canadian dollars in millions)	**Share capital**	**Contributed surplus**	**Hedging reserve**	**Accumulated other comprehensive loss**	**Retained earnings (deficit)**	**Total shareholders' equity**	**Non-controlling interest**	**Total equity**
January 1, 2025	$ 2,612	$ 149	$ –	$ (48)	$ (325)	$ 2,388	$ –	$ 2,388
Net income	–	–	–	–	348	348	–	348
Remeasurements on net employee benefits	–	–	–	–	261	261	–	261
Remeasurements on equity investments	–		–	2	–	2	–	2
Total comprehensive income	–	–	–	2	609	611	–	611
Share-based compensation	–	14	–	–	–	14	–	14
Shares issued	1	–	–	–	–	1	–	1
Shares purchased and cancelled under issuer bid (Note 6)	(327)	–	–	–	(506)	(833)	–	(833)
September 30, 2025	$ 2,286	$ 163	$ –	$ (46)	$ (222)	$ 2,181	$ –	$ 2,181
January 1, 2026	$ 2,275	$ 166	$ (3)	$ (49)	$ 202	$ 2,591	$ –	$ 2,591
Net income	–	–	–	–	9	9	7	16
Remeasurements on net employee benefits	–	–	–	–	550	550	–	550
Remeasurements on equity investments	–	–	–	20	–	20	–	20
Fuel derivatives designated as cash flow hedges	–	–	3	–	–	3	–	3
Total comprehensive income	–	–	3	20	559	582	7	589
Share-based compensation	–	9	–	–	–	9	–	9
Shares issued	8	(2)	–	–	–	6	–	6
Shares purchased and cancelled under issuer bid (Note 6)	(328)	–	–	–	(763)	(1,091)	–	(1,091)
Non-controlling interests in shares of a subsidiary (note 13)	–	–	–	–	–	–	2,456	2,456
September 30, 2026	$ 1,955	$ 173	$ –	$ (29)	$ (2)	$ 2,097	$ 2,463	$ 4,560

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 September 30		Nine months ended September 30	
		2026	2025	2026	2025
Cash flows from (used in)					
Operating					
Net income for the period		$ 146	$ 264	$ 16	$ 348
Adjustments to reconcile to net cash from operations					
Deferred income tax	Note 5	79	245	(56)	98
Depreciation, amortization and impairment		555	504	1,607	1,490
Foreign exchange gain		(4)	(310)	(132)	(94)
Employee benefit funding less than expense		150	180	552	242
Financial instruments recorded at fair value	Note 9	13	(16)	16	(76)
Loss on debt settlements	Note 4	-	-	56	-
Change in maintenance provisions		(171)	(3)	(88)	100
Gain on sale and leaseback of assets	Note 12	-	-	(82)	-
Changes in non-cash working capital balances		(465)	(44)	850	1,137
Other		(37)	(7)	(24)	(11)
Net cash flows from operating activities		**266**	**813**	**2,715**	**3,234**
Financing					
Proceeds from borrowings	Note 4	-	231	569	231
Repayment of long-term debt and lease liabilities	Note 4	(2,104)	(589)	(2,905)	(1,470)
Shares purchased for cancellation	Note 6	(803)	-	(1,070)	(827)
Issue of shares		5	1	6	1
Financing fees	Note 4	-	-	(4)	-
Issuance of subsidiary shares to non-controlling interest	Note 13	2,500	-	2,500	-
Subsidiary share issue costs	Note 13	(60)	-	(60)	-
Net cash flows used in financing activities		**(462)**	**(357)**	**(964)**	**(2,065)**
Investing					
Short-term investments, net		(129)	570	141	1,665
Disposals of long-term investments		195	249	668	980
Purchases of long-term investments		(287)	(157)	(641)	(493)
Additions to property, equipment and intangible assets		(706)	(602)	(1,878)	(2,009)
Proceeds from sale and leaseback of assets	Note 12	-	-	501	-
Other		23	40	30	61
Net cash flows from (used in) investing activities		**(904)**	**100**	**(1,179)**	**204**
Effect of exchange rate changes on cash and cash equivalents		**(10)**	**(2)**	**40**	**(1)**
Increase (decrease) in cash and cash equivalents		**(1,110)**	**554**	**612**	**1,372**
Cash and cash equivalents, beginning of period		4,517	3,336	2,795	2,518
Cash and cash equivalents, end of period		**$ 3,407**	**$ 3,890**	**$ 3,407**	**$ 3,890**

Cash payments of interest	Note 4	**$ 188**	**$ 196**	**$ 463**	**$ 500**
Cash payments (recovery) of income taxes		**$ 16**	**$ (15)**	**$ 60**	**$ 44**

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

Notes to the interim condensed consolidated financial statements (unaudited)
(Canadian dollars except where otherwise indicated)

1. GENERAL INFORMATION

The accompanying unaudited interim condensed consolidated financial statements (the "financial statements") are of Air Canada. Air Canada refers, as the context may require, to Air Canada alone or Air Canada and one or more of its subsidiaries, including its wholly-owned operating subsidiaries, Touram Limited Partnership doing business under the brand name Air Canada Vacations® ("Air Canada Vacations"), Air Canada rouge LP doing business under the brand name Air Canada Rouge® ("Air Canada Rouge") or to one or more of such subsidiaries. It also refers to Aeroplan Inc. ("Aeroplan") in which Air Canada has retained a 75% ownership interest following a minority equity investment effective August 17, 2026. Refer to Note 13 for information on the minority equity investment in Aeroplan.

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

Air Canada 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 nine months ended September 30, 2026 are not necessarily indicative of financial results for the entire year.

2. BASIS OF PRESENTATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES

Air Canada 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 ("IFRS") as issued by the International Accounting Standards Board. 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 Air Canada's annual consolidated financial statements for the year ended December 31, 2025. 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 Air Canada on October 29, 2026.

These financial statements are based on the accounting policies consistent with those disclosed in Note 2 to the 2025 annual consolidated financial statements with an update to the principles of consolidation provided below to reflect the minority equity investment in Aeroplan as described in Note 13.

Principles of consolidation

These financial statements include the accounts of Air Canada and its subsidiaries. Subsidiaries are all entities which Air Canada controls. For accounting purposes, control is established by an investor when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All inter-company balances and transactions are eliminated. Net income and comprehensive income are attributed to Air Canada shareholders and non-controlling interests based on the non-controlling interest's share of the net income in the subsidiary in which they hold their interest. Equity attributable to Air Canada shareholders is reported separately from non-controlling interests in total equity.

Accounting standard adopted in 2026

Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the International Accounting Standards Board ("IASB") issued Amendments to the Classification and Measurement of Financial Instruments which amends IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures (the "Amendments"). The narrow scope Amendments clarify classification guidance for financial assets with environmental, social and corporate governance features; and clarify the date on which a financial asset or financial liability is derecognized, including those through electronic payment systems. The Amendments aim to address diversity in practice by specifying that receivables and payables settled electronically should only be derecognized when a corporation has transferred control of the cash and no longer retains settlement-related risks, which may occur later than the point when a payment is initiated. An entity may elect an accounting policy option to derecognize a financial liability settled through an electronic payment system prior to the settlement date when those specific criteria are met. This election does not apply to payments made by cheque, which continue to be derecognized only upon settlement. The Amendments became effective for annual reporting periods beginning on or after January 1, 2026.

Air Canada adopted these Amendments with no material impact to Air Canada's consolidated statement of financial position as of the January 1, 2026 adoption date. Air Canada elected the accounting policy option to derecognize financial liabilities settled through electronic payment systems prior to the settlement date when the specific criteria described above are met. The amendments were applied prospectively, and comparative information was not restated.

Accounting standards issued but not yet effective

The following accounting standard issued by the IASB has not yet been adopted by Air Canada.

IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 which sets out requirements for the presentation and disclosure of information in the financial statements. IFRS 18 will replace IAS 1 Presentation of Financial Statements but carries forward many of the requirements from IAS 1. The standard introduces new defined subtotals to be presented in the consolidated statements of operations, disclosure of management-defined performance measures related to the income statement and requirements for grouping of information. IFRS 18 is effective for annual periods beginning on or after January 1, 2027, with earlier adoption permitted. Air Canada will apply the standard effective January 1, 2027 and it will be applied retrospectively with restatement of the comparative period. IFRS 18 will modify the formatting of the consolidated statement of operations with the presentation of revenue and expenses under three categories (operating, investing and financing), therefore all items currently presented in the non-operating income (expense) section of the consolidated statement of operations will be impacted, in particular the presentation of foreign exchange gains and losses as it can relate to more than one category under the new standard.

Air Canada is continuing to evaluate the impact of this standard on its consolidated financial statements as it executes its implementation plan for IFRS 18. During the period, management continued the development of processes and systems required to support the new presentation requirements, including the derivative tracking model designed to identify and classify foreign exchange and derivative gains and losses within the appropriate income statement categories. Management has also completed a preliminary restatement of the comparative information for the income statement and statement of cash flow for the first and second quarters of 2026 using the IFRS 18 presentation format for internal review purposes. Implementation activities remain ongoing, including validation and reconciliation procedures. Management does not currently expect any material issues in achieving compliance with the standard upon adoption.

3. WAGES, SALARIES AND BENEFITS

Labour related items

In the second and third quarters of 2026, Air Canada concluded four-year collective agreements with Unifor and the International Association of Machinists and Aerospace Workers (IAMAW), respectively, and recorded pension past service costs of $132 million and $131 million in each quarter, respectively ($263 million for the nine months ended September 30, 2026) to reflect changes included in the agreements. Some of these changes are conditional on future pension solvency positions. Changes in assumptions associated with these conditional increases are recognized in other comprehensive income as actuarial gains and losses. The net impact of these changes is funded out of the surplus in the domestic registered pension plans and is not expected to impact Air Canada's liquidity position.

Also in the second quarter of 2026, Air Canada recorded a $20 million charge in relation to benefits-related past service cost relating to a change in legislation.

Pension plan assets

As described in Note 9 to the 2025 annual consolidated financial statements, 17,646,765 shares of Air Canada, which were issued to a trust in 2009 in connection with pension funding agreements reached with all of Air Canada's Canadian-based unions, are included in plan assets for determining the net benefit obligation for accounting purposes. The trust arrangement provides that proceeds of any sale of the trust shares will be retained and applied to reduce future pension solvency deficits, if any should materialize.

In November 2021, Air Canada announced that its Canadian unions and the Air Canada Pionairs agreed in principle to permit certain other uses of the proceeds of the shares. In April 2026, the conditions to the completion of the agreement in principle were met, including the conclusion of definitive documentation and the receipt of all required approvals. Therefore, the trust will gradually commence selling shares up to the end of 2037, and the net proceeds from these sales will be used to make lump sum payments to eligible pensioners and to fund voluntary separation programs for senior unionized employees and non-executive employees based in Canada.

In the second quarter of 2026, Air Canada recorded a past service charge of $167 million related to the lump sum payments that will be made to pensioners at scheduled intervals, with any final distribution to occur no later than 2037. In addition, a voluntary separation program for unionized employees was announced in June 2026 with a charge of $41 million recorded in the second quarter of 2026. Initial costs associated with the share trust of $6 million were recorded in the third quarter of 2026. These charges, recorded in Wages, salaries and benefits, were offset by a corresponding gain in other comprehensive income.

Proceeds from the sale of 5,276,023 trust shares during the third quarter of 2026 will fund the voluntary separation program and an initial payment of $100 million to pensioners during the fourth quarter of 2026. As at September 30, 2026, 12,370,742 shares remain included in plan assets for determining the net benefit obligation for accounting purposes.

4. LONG-TERM DEBT AND LEASE LIABILITIES

	Final Maturity	Weighted Average Interest Rate (%)	September 30, 2026 (Canadian dollars in millions)	December 31, 2025 (Canadian dollars in millions)
Aircraft financing				
Fixed rate U.S. dollar financing	2027 – 2030	4.00	$ 1,569	$ 2,138
Floating rate U.S. dollar financing	2027	6.56	148	192
Fixed rate CDN dollar financing	2030	3.67	100	131
Floating rate CDN dollar financing (a)	2036 – 2038	4.05	501	227
Fixed rate Japanese yen financing	2027	1.84	106	103
Credit facility – CDN dollar	2028	1.21	1,204	1,172
Senior secured notes – CDN dollar	2029	4.63	2,000	2,000
Senior secured notes – U.S. dollar (b)	2026	-	-	1,647
Senior secured credit facility – U.S. dollar (c)	2031	5.59	1,913	1,554
Long-term debt		**4.14**	**7,541**	**9,164**
Lease liabilities				
Air Canada aircraft	2026 – 2037	5.79	2,203	1,591
Regional aircraft	2027 – 2035	5.36	693	446
Land and buildings	2026 – 2078	5.16	441	435
Lease liabilities		**5.62**	**3,337**	**2,472**
Total debt and lease liabilities excluding unamortized debt issuance costs and discounts		**4.59**	**10,878**	**11,636**
Unamortized debt issuance costs and discounts			(25)	(60)
Total debt and lease liabilities			**10,853**	**11,576**
Current portion – Long-term debt			(878)	(2,429)
Current portion – Air Canada aircraft			(397)	(454)
Current portion – Regional aircraft			(73)	(53)
Current portion – Land and buildings			(32)	(31)
Total current portion			(1,380)	(2,967)
Long-term debt and lease liabilities			**$ 9,473**	**$ 8,609**

The above table provides terms of instruments disclosed in Note 8 to the 2025 annual consolidated financial statements of Air Canada.

Air Canada's US$975 million revolving credit facility maturing in 2029 is undrawn as of September 30, 2026.

(a) In October 2024, Air Canada entered into a facility agreement with Export Development Canada for loans up to US$975 million to finance a portion of the purchase price of up to 27 Airbus A220-300 aircraft. In June 2026, Air Canada drew down $291 million under this facility for six A220 aircraft which had been previously delivered. Loans for each aircraft have a final maturity date of twelve years after delivery. Interest rates are floating and are based on Term CORRA (Canadian Overnight Repo Rate Average) plus a margin of 1.72%. Financing for up to 16 A220 aircraft and US$596 million remain available under this facility.

(b) In August 2026, Air Canada repaid the $1.7 billion (US$1.2 billion) senior secured notes at maturity with proceeds from the equity investment in Aeroplan as described in Note 13.

(c) In January 2026, Air Canada completed a repricing of its US term loan B, reducing the interest rate by 25 basis points, to an interest rate of 1.75% over SOFR (Secured Overnight Financing Rate), and increased the loan by US$200 million to US$1.354 billion. Air Canada recorded a loss of $56 million on debt settlement for the write-off of unamortized deferred items related to this transaction.

Air Canada has recorded Interest expense as follows:

	Three months ended September 30		Nine months ended September 30	
(Canadian dollars in millions)	**2026**	**2025**	**2026**	**2025**
Interest on debt	$ 102	$ 126	$ 333	$ 401
Interest on lease liabilities				
Air Canada aircraft	33	22	88	67
Regional aircraft	9	8	29	23
Land and buildings	5	6	16	17
Interest expense	**$ 149**	**$ 162**	**$ 466**	**$ 508**

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.

	Three months ended September 30		Nine months ended September 30	
(Canadian dollars in millions)	**2026**	**2025**	**2026**	**2025**
Short-term leases	$ 4	$ 2	$ 10	$ 8
Variable lease payments not included in lease liabilities	17	14	51	49
Expense related to leases (included in Other operating expenses)	**$ 21**	**$ 16**	**$ 61**	**$ 57**

Total cash outflows for payments on lease liabilities was $262 million for the three months ended September 30, 2026 ($629 million for the nine months ended September 30, 2026; $170 million and $555 million respectively for the three- and nine-month periods ended September 30, 2025), of which $215 million was for principal repayments ($496 million for the nine months ended September 30, 2026; $134 million and $448 million respectively for the three- and nine-month periods ended September 30, 2025).

Maturity analysis

Principal and interest repayment requirements as at September 30, 2026 on Long-term debt and lease liabilities are as follows. U.S. dollar amounts are converted using the September 30, 2026 closing rate of CDN$1.42.

Principal (Canadian dollars in millions)	**Remainder of 2026**	**2027**	**2028**	**2029**	**2030**	**Thereafter**	**Total**
Long-term debt obligations[1]	$ 59	1,130	1,417	2,349	491	2,164	**7,610**
Air Canada aircraft	111	377	344	265	252	854	**2,203**
Regional aircraft	22	68	68	70	71	394	**693**
Land and buildings	8	33	32	25	21	322	**441**
Lease liabilities	$ 141	478	444	360	344	1,570	**3,337**
Total long-term debt and lease liabilities	**$ 200**	**1,608**	**1,861**	**2,709**	**835**	**3,734**	**10,947**

Interest (Canadian dollars in millions)	**Remainder of 2026**	**2027**	**2028**	**2029**	**2030**	**Thereafter**	**Total**
Long-term debt obligations[1]	$ 54	316	254	237	127	91	**1,079**
Air Canada aircraft	32	114	93	73	57	152	**521**
Regional aircraft	9	33	30	26	23	53	**174**
Land and buildings	6	21	19	18	17	215	**296**
Lease liabilities	$ 47	168	142	117	97	420	**991**
Total long-term debt and lease liabilities	**$ 101**	**484**	**396**	**354**	**224**	**511**	**2,070**

(1) The full principal balance of $1,273 million for the unsecured credit facility due in 2028 is included.

Principal repayments in the table above exclude discounts and transaction costs of $25 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)	June 30 , 2026	Cash Flows			Non-Cash Changes			Sept. 30, 2026
		Borrowings	Repayments	Financing fees	Foreign exchange adjustments	Amortization of financing fees and other adjustments	New lease liabilities (new and modified contracts)	
Long-term debt	$ 9,448	$ -	$ (1,889)	$ -	$ (29)	$ 11	$ -	$ 7,541
Air Canada aircraft	2,231	-	(188)	-	6	-	154	2,203
Regional aircraft	710	-	(19)	-	2	-	-	693
Land and buildings	434	-	(8)	-	(1)	-	16	441
Lease liabilities	3,375	-	(215)	-	7	-	170	3,337
Unamortized debt issuance costs	(29)	-	-	-	-	4	-	(25)
Total liabilities from financing activities	**$ 12,794**	**$ -**	**$ (2,104)**	**$ -**	**$ (22)**	**$ 15**	**$ 170**	**$ 10,853**

(Canadian dollars in millions)	Jan. 1, 2026	Cash Flows			Non-Cash Changes			Sept. 30, 2026
		Borrowings	Repayments	Financing fees	Foreign exchange adjustments	Amortization of financing fees and other adjustments	New lease liabilities (new and modified contracts)	
Long-term debt	$ 9,164	$ 569	$ (2,411)	$ -	$ 157	$ 62	$ -	$ 7,541
Air Canada aircraft	1,591	-	(409)	-	78	-	943	2,203
Regional aircraft	446	-	(61)	-	26	-	282	693
Land and buildings	435	-	(24)	-	-	-	30	441
Lease liabilities	2,472	-	(494)	-	104	-	1,255	3,337
Unamortized debt issuance costs	(60)	-	-	(4)	-	39	-	(25)
Total liabilities from financing activities	**$ 11,576**	**$ 569**	**$ (2,905)**	**$ (4)**	**$ 261**	**$ 101**	**$ 1,255**	**$ 10,853**

5. INCOME TAXES

Income tax recovery (expense)

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

	Three months ended September 30		Nine months ended September 30	
(Canadian dollars in millions)	**2026**	**2025**	**2026**	**2025**
Current income tax (expense)	$ (23)	$ (2)	$ (95)	$ (1)
Deferred income tax recovery (expense)	(79)	(245)	56	(98)
Income tax (expense)	**$ (102)**	**$ (247)**	**$ (39)**	**$ (99)**

Income tax recovery (expense) is recognized in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full year.

Air Canada's statutory tax rate for the nine months ended September 30, 2026 was 26.54% (26.53% for the nine months ended September 30, 2025).

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

	Three months ended September 30		Nine months ended September 30	
(Canadian dollars in millions)	**2026**	**2025**	**2026**	**2025**
Remeasurements on net employee benefits - current income tax (expense)	$ (2)	$ (2)	$ (4)	$ (4)
- deferred income tax (expense)	(16)	(53)	(196)	(95)
Fuel derivatives designated as cash flow hedges				
- deferred income tax recovery (expense)	(12)	6	(1)	-
Income tax (expense)	**$ (30)**	**$ (49)**	**$ (201)**	**$ (99)**

Income tax recorded in non-controlling interest is presented below.

		Three months ended September 30		Nine months ended September 30	
(Canadian dollars in millions)		**2026**	**2025**	**2026**	**2025**
Subsidiary share issue cost - deferred income tax recovery	Note 13	16	-	16	-
Income tax recovery		**$ 16**	**$ -**	**$ 16**	**$**

6. SHARE CAPITAL

	Number of shares	Value (Canadian dollars in millions)
At January 1, 2025	**339,839,122**	**$ 2,612**
Shares issued on the exercise of stock options	145,571	3
Shares purchased and cancelled under issuer bid	(45,435,073)	(340)
At December 31, 2025	**294,549,620**	**2,275**
Shares issued on the exercise of stock options	350,545	8
Shares purchased and cancelled under issuer bids	(42,154,834)	(328)
At September 30, 2026	**252,745,331**	**1,955**

The issued and outstanding shares of Air Canada, along with the potential shares, were as follows:

	September 30, 2026	December 31, 2025
Issued and outstanding		
Class A variable voting shares	73,220,033	66,330,053
Class B voting shares	179,525,298	228,219,567
Total issued and outstanding	**252,745,331**	**294,549,620**
Potential shares		
Stock options	12,904,328	12,137,096
Total outstanding and potentially issuable shares	**265,649,659**	**306,686,716**

Normal course issuer bids

In November 2025, 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 7, 2025 to November 6, 2026, up to 29,557,428 shares, representing about 10% of the public float of its shares as at October 24, 2025.

Air Canada purchased for cancellation 14,516,991 shares at an average cost of $18.39 per share for aggregate consideration of $267 million for the nine-month period ended September 30, 2026. The excess of the cost over the book value of $155 million was charged to Retained earnings (deficit), with $5 million in share buyback tax for the nine-month period ended September 30, 2026. There were no purchases during the third quarter of 2026. Including purchases made in the fourth quarter of 2025, Air Canada has purchased for cancellation an aggregate of 16,295,815 shares under its current 2025 – 2026 normal course issuer bid.

In the first quarter of 2025, Air Canada purchased for cancellation 15,504,742 shares for aggregate consideration of $315 million under its previous normal course issuer bid which had been approved in November 2024, effectively purchasing the maximum amount of 35,783,842 shares available for purchase for cancellation under the issuer bid. The excess of the cost over the book value of $196 million was charged to Retained earnings (deficit), together with $6 million in share buyback tax.

Substantial issuer bids

In August 2026, Air Canada announced a substantial issuer bid (the "2026 Offer") pursuant to which Air Canada offered to purchase for cancellation up to $800 million of its Class A variable voting shares and Class B voting shares (collectively, the "shares"). The 2026 Offer was made by way of a modified "Dutch auction" under which shareholders wishing to tender could do so through (i) an auction tender at a price not less than $29.00 per share and not more than $33.00 per share or (ii) a purchase price tender at the purchase price to be determined by the auction tenders. A total of about 66.8 million shares were validly deposited under the 2026 Offer and not withdrawn pursuant to auction tenders at $29.00 or purchase price tenders. Since the 2026 Offer was oversubscribed, about 41% of the successfully tendered shares were purchased by Air Canada, other than "odd lot" tenders not subject to proration.

On September 28, 2026, Air Canada paid TSX Trust Company (Canada), the depositary under the 2026 Offer, approximately $800 million for the purchase of 27,586,206 of its shares at a price of $29.00 per share. Settlement was made by the depositary in accordance with the 2026 Offer. The excess of the cost over the book value of $587 million was charged to Retained earnings (deficit), together with $16 million in share buyback tax.

In May 2025, Air Canada announced a substantial issuer bid (the “2025 Offer”) pursuant to which Air Canada offered to purchase for cancellation up to $500 million of its shares. A total of about 26.8 million shares were validly deposited under the 2025 Offer and not withdrawn pursuant to auction tenders at or below $18.80 or purchase price tenders. As the 2025 Offer was oversubscribed, about 99.14% of the successfully tendered shares were purchased by Air Canada, other than “odd lot” tenders not subject to proration. On June 25, 2025, Air Canada purchased for cancellation 26,595,744 shares for $18.80 per share for aggregate consideration of $500 million. The excess of the cost over the book value of $294 million was charged to Retained earnings (deficit), together with $10 million in share buyback tax.

7. EARNINGS PER SHARE

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

	Three months ended September 30		Nine months ended September 30	
(in millions, except per share amounts)	**2026**	**2025**	**2026**	**2025**
Numerator:				
Net income for the period attributable to shareholders of Air Canada:	**$ 139**	**$ 264**	**$ 9**	**$ 348**
Effect of assumed conversion of convertible notes	-	(1)	-	(50)
Adjusted numerator for diluted earnings per share	**139**	**263**	**9**	**298**
Denominator:				
Weighted-average shares	**280**	**296**	**285**	**316**
Effect of potential dilutive securities:				
Stock options	3	1	2	-
Convertible notes	-	-	-	12
Adjusted denominator for diluted earnings per share	**283**	**297**	**287**	**328**
Basic earnings per share	**$ 0.49**	**$ 0.89**	**$ 0.03**	**$ 1.10**
Diluted earnings per share	**$ 0.49**	**$ 0.88**	**$ 0.03**	**$ 0.90**

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

As described in Note 8 to the 2025 annual consolidated financial statements of Air Canada, the convertible notes were settled with cash following their maturity on July 1, 2025. The conversion rate of the convertible notes was 65.1337 shares per US$1,000 principal amount of convertible notes and is no longer a consideration in computing the dilutive earnings per share, except as part of the year-to-date calculation for the period to July 1, 2025.

8. 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 September 30, 2026 closing rate of CDN$1.42. Minimum future commitments under these contractual arrangements are shown below.

(Canadian dollars in millions)	**Remainder of 2026**	**2027**	**2028**	**2029**	**2030**	**Thereafter**	**Total**
Capital commitments	$ 1,222	3,081	1,696	1,539	1,363	3,197	**12,098**

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Refer also to Note 16 to the 2025 annual consolidated financial statements for information on Air Canada's risk management strategy.

Summary of gain (loss) on financial instruments recorded at fair value

	Three months ended September 30		Nine months ended September 30	
(Canadian dollars in millions)	**2026**	**2025**	**2026**	**2025**
Embedded derivative on convertible notes	$ –	$ –	$ –	$ 45
Short-term and long-term investments	(13)	16	(16)	31
Gain (loss) on financial instruments recorded at fair value	**$ (13)**	**$ 16**	**$ (16)**	**$ 76**

Foreign exchange risk management

In the first quarter of 2026, Air Canada reduced its target foreign currency derivative coverage from 70% to 60% on a rolling 18-month basis to manage its net U.S. dollar cash flow exposure. As at September 30, 2026, Air Canada had outstanding foreign currency options and swap agreements, settling in 2026, 2027 and 2028, to purchase at maturity $8,302 million (US$5,851 million) of U.S. dollars at a weighted average rate of CDN$1.3815 per $1.00 U.S. dollar (as at December 31, 2025 – $8,913 million (US$6,495 million) with settlements in 2026 and 2027 at a weighted average rate of CDN$1.3648 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 September 30, 2026 was $146 million in favour of Air Canada (as at December 31, 2025 – $243 million in favour of the counterparties). These derivative instruments have not been designated as hedges for accounting purposes and are recorded at fair value. During the third quarter of 2026, foreign exchange gain (loss) related to these derivatives was $24 million gain ($403 million gain for the nine-month period ended September 30, 2026; $539 million gain and $182 million loss respectively for the three- and nine-month periods ended September 30, 2025). In the third quarter of 2026, foreign exchange derivative contracts cash settled with a net fair value of $36 million in favour of Air Canada ($14 million in favour of Air Canada for the nine-month period ended September 30, 2026; $11 million in favour of the counterparties and $48 million in favour of Air Canada respectively for the three- and nine-month periods ended September 30, 2025).

Fuel price risk management

During the third quarter of 2026, jet fuel swap derivative contracts cash settled with a fair value of $22 million in favour of Air Canada, with a hedging gain of $22 million recorded in Aircraft fuel expense ($265 million gain for the nine-month period ended September 30, 2026; $29 million gain and $48 million gain respectively for the three- and nine-month periods ended September 30, 2025). No hedge ineffectiveness was recorded.

There were no fuel derivatives outstanding as at September 30, 2026.

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 include 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 $333 million related to funds held in trust by Air Canada Vacations in accordance with regulatory requirements governing advance sales for tour operators ($333 million at December 31, 2025).

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 September 30, 2026.

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 Air Canada based on recent transactions. Based on significant unobservable inputs (Level 3 in the fair value hierarchy), the estimated fair value of debt approximates its carrying value of $7,541 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 2025 annual consolidated financial statements. There were no transfers within the fair value hierarchy during the nine months ended September 30, 2026.

		Fair value measurements at reporting date using:		
(Canadian dollars in millions)	**September 30, 2026**	**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	$ 164	$ -	$ 164	$ -
Short–term investments	2,599	-	2,599	-
Long–term investments	628	-	628	-
Equity investment in Chorus	68	68	-	-
Derivative instruments				
Foreign exchange derivatives	156	-	156	-
Total	**$ 3,615**	**$ 68**	**$ 3,547**	**$ -**
Financial Liabilities				
Derivative instruments				
Foreign exchange derivatives	10	-	10	-
Total	**$ 10**	**$ -**	**$ 10**	**$ -**

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.

10. REVENUE

Disaggregation of revenue

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 September 30		Nine months ended September 30	
	2026	2025	2026	2025
Canada	$ 1,763	$ 1,426	$ 4,486	$ 3,927
U.S. Transborder	1,148	904	3,193	2,856
Atlantic	2,259	1,955	5,154	4,538
Pacific	828	684	2,325	2,017
Other	345	275	1,553	1,268
	$ 6,343	**$ 5,244**	**$ 16,711**	**$ 14,606**

Cargo Revenues (Canadian dollars in millions)	Three months ended September 30		Nine months ended September 30	
	2026	2025	2026	2025
Canada	$ 50	$ 29	$ 137	$ 82
U.S. Transborder	14	13	40	42
Atlantic	103	85	297	263
Pacific	106	77	292	238
Other	44	35	135	117
	$ 317	**$ 239**	**$ 901**	**$ 742**

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.

Contract balances

The following table presents financial information related to the changes in Aeroplan deferred revenue:

(Canadian dollars in millions)	Three months ended September 30		Nine months ended September 30	
	2026	2025	2026	2025
Aeroplan deferred revenue, beginning of period	$ 4,060	$ 3,867	$ 4,008	$ 3,785
Proceeds from Aeroplan points issued pursuant to Aeroplan program partner arrangements	570	504	1,633	1,464
Aeroplan points issued at equivalent ticket value	79	88	226	260
Aeroplan points redeemed – air travel	(483)	(413)	(1,459)	(1,280)
Aeroplan points redeemed – non-air rewards	(97)	(95)	(279)	(278)
Aeroplan deferred revenue, end of period	**$ 4,129**	**$ 3,951**	**$ 4,129**	**$ 3,951**

Proceeds from Aeroplan points issued pursuant to Aeroplan program partner arrangements and the equivalent ticket value of Aeroplan points issued through travel are deferred until the Aeroplan points are redeemed and provided to the member. Air Canada expects that the majority of Aeroplan points outstanding will be redeemed within three years.

11. OTHER OPERATING EXPENSES

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

(Canadian dollars in millions)	Three months ended September 30		Nine months ended September 30	
	2026	2025	2026	2025
Terminal handling	$ 164	$ 151	$ 456	$ 431
Crew cycle	116	106	299	271
Building rent and maintenance	89	81	271	236
Miscellaneous fees and services	82	62	237	201
Remaining other expenses	243	317	741	790
	$ 694	**$ 717**	**$ 2,004**	**$ 1,929**

In the third quarter of 2026, a reduction of $17 million related to estimated costs associated with contractual lease obligations was recorded in other operating expense.

In the second quarter of 2026, a provision of $28 million was recorded in miscellaneous fees and services in connection with a legal matter, with a related $41 million interest charge recorded in other non-operating expense.

12. SALE AND LEASEBACK OF ASSETS

Air Canada completed sale and leaseback transactions for total proceeds of $501 million for the nine-month period ended September 30, 2026 which resulted in the recognition of a gain on sale of $82 million for the nine-month period ended September 30, 2026. There were no sale and leaseback transactions in the third quarter of 2026.

13. MINORITY EQUITY INVESTMENT IN AEROPLAN

On August 17, 2026, funds managed by Blackstone and La Caisse, together with other Canadian institutions, (the “investor group”) made a $2.5 billion minority equity investment in Aeroplan. The investor group acquired a 25% non-controlling equity interest in Aeroplan. Air Canada retains a 75% ownership interest and continues to control Aeroplan's operations, strategic direction and day-to-day management.

Air Canada continues to consolidate Aeroplan in its consolidated financial statements and this minority equity investment is reflected as a non-controlling interest within total equity, presented separately from equity attributable to shareholders of Air Canada. This investment includes minority investor rights.

The investor group will be entitled to participate in distributions from Aeroplan, subject to approval by its board of directors and an agreed distribution policy. Under this policy, Aeroplan will make quarterly pro rata distributions of available cash to the investor group.

Air Canada will also have the option to repurchase the interest held by the investor group in Aeroplan between the fifth and eighth anniversaries of the transaction’s closing, as well as upon the occurrence of specified events. The repurchase price will be determined pursuant to an agreed formula that provides the investor group with an internal rate of return of 6.5%, calculated net of all distributions. The option is a freestanding derivative financial asset measured at fair value through profit and loss. The fair value of the option was nil at inception and September 30, 2026.

In the third quarter of 2026, Air Canada recorded a non-controlling interest equity amount of $2.456 billion being the proceeds of $2.5 billion less the related share issue costs, with deferred tax recovery of $16 million (note 5). The proceeds were primarily used toward the repayment of the US$1.2 billion senior secured notes at maturity and share repurchases through a substantial issuer bid described in Notes 4 and 6, respectively.

14. SUBSIDIARY WITH SIGNIFICANT NON-CONTROLLING INTEREST

Summarized financial information

As described in note 13, on August 17, 2026, the investor group acquired a 25% non-controlling equity interest in Aeroplan. Summarized financial information for Aeroplan, as at September 30, 2026 and for the period from August 17, 2026 to September 30, 2026 is set out in the accompanying table.

(Canadian dollars in millions)	September 30, 2026
Statement of financial position [1]	
Current assets	$ 1,404
Non-current assets	$ 12,294
Current liabilities	$ 3,201
Non-current liabilities	$ 8,862
Accumulated non-controlling interest	$ 2,463
Statement of total comprehensive income [2]	**For the period August 17, 2026 to September 30, 2026**
Revenues	**$** 281
Net income	28
Other comprehensive income	-
Total comprehensive income	**$ 28**
Income allocated to non-controlling interests	**$ 7**
Statement of cash flow [3]	
Net cash flows from operating activities	$ 134
Net cash flows used in financing activities	$ (1)
Net cash flows used in investing activities	$ (139)

(1) As required by IFRS, this summarized financial information excludes inter-company eliminations. Included in the non-current assets above are $11,972 million of inter-company assets due from other entities in the group and included in non-current liabilities are $7,000 million of inter-company liabilities due to other entities in the group.

(2) The components of comprehensive income for the period from August 17, 2026 to September 30, 2026 are estimated based on a daily proration.

(3) The components of cash flow for the period from August 17, 2026 to September 30, 2026 are estimated based on a daily proration. Investing activities reflect short- and long-term investments.