Air Canada

Second Quarter 2026 Update

August 11, 2026

Caution Regarding Forward-Looking Information

This presentation includes forward-looking statements within the meaning of applicable securities laws. Forward-looking statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements may involve, but are not limited to, comments relating to strategies, expectations, ratings, planned operations or future actions or to Air Canada's full year 2026 guidance, 2028 financial targets and 2030 aspirations. 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, including high or volatile fuel prices or significant disruptions in the supply of aircraft fuel, including as a result of the military conflict in the Middle East, statements or actions by governments and uncertainty relating to the imposition of (or threats to impose) tariffs on Canadian exports or imports and their resulting impacts on the Canadian, North American and global economies and travel demand, geopolitical and security conditions including in relation to 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 14 of Air Canada’s Second Quarter 2026 MD&A and section 18 “Risk Factors” of Air Canada’s 2025 MD&A

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 aspirational 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 news release (or as of the date they are otherwise stated to be made) and are subject to change after such date. However, Air Canada disclaims any intention or obligation to update or revise any forward-looking statements whether because of new information, future events or otherwise, except as required under applicable securities regulations.

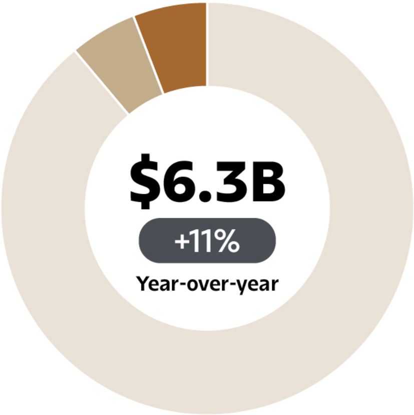
Q2 2026

Highlights of our financial results

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

+0.3% Year-over-year
Capacity – ASM (Available Seat Miles)

Total operating revenues



$5.6B	$325M	$365M
Passenger	Cargo	Other

TRASM (Total Revenue per ASM)	23.3 cents
CASM (Cost per ASM)	24.1 cents
Adjusted CASM*	15.5 cents

-$215M Operating loss	-$633M Year-over-year
$719M Adjusted EBITDA*	-$190M Year-over-year
-63¢ Diluted loss per share	-$1.14 Year-over-year
40¢ Adjusted earnings per diluted share*	-20¢ Year-over-year
1.7x Leverage ratio* at June 30, 2026	

*Adjusted EBITDA (earnings before interest, taxes, depreciation, amortization and impairment) 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.

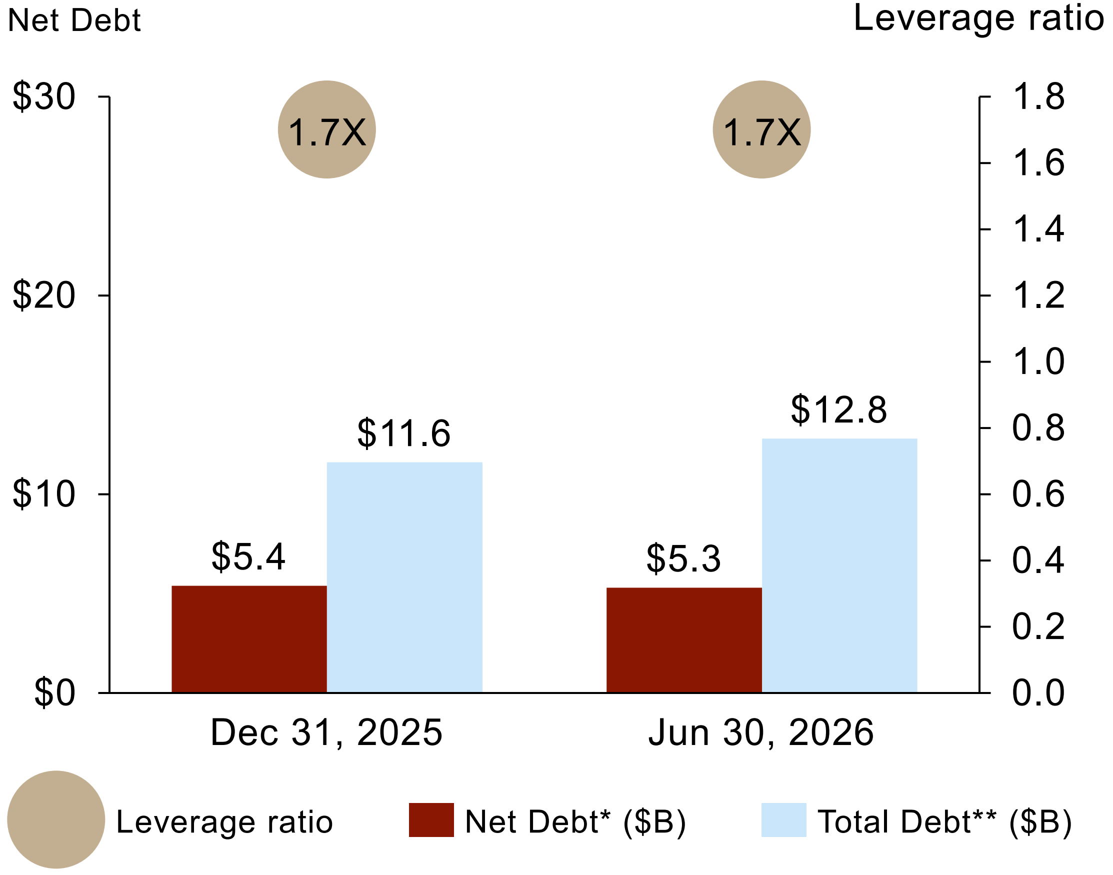
AIR CANADA

Highlights

Q2 2026	Financial Performance	Record Q2 operating revenues of $6.3B (+11% YoY)	Adjusted EBITDA* of $719 million (11.5% margin), at the upper end of the second quarter guidance range	Strong cash generation, $651 million of operating cash flow and $174 million of free cash flow*
Commercial	Revenue drivers	11% PRASM growth driven by yield and load factor expansion	Premium and corporate revenues remained strong	Cargo revenues increased 29% year-over-year
Network	Strategic Execution	Proactive capacity deployment optimized network performance	6th Freedom revenues increased 9% YoY, Pacific corridor generated approximately half of the growth	Global hubs continue to support diversified international traffic flows
Flexibility	Liquidity & Capital Allocation	$8.9 billion of total liquidity at quarter-end, strong balance sheet metrics	$1.6 billion returned through share repurchases since Nov. 2024	Aeroplan program valued at $10 billion through minority investment

*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. This measure is not recognized for financial statement presentation under GAAP, does 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.

Strong liquidity and financial flexibility: $8.9B liquidity and leverage ratio* maintained at 1.7x



TOTAL LIQUIDITY

$8.9B
at June 30, 2026

CASH FROM OPERATIONS

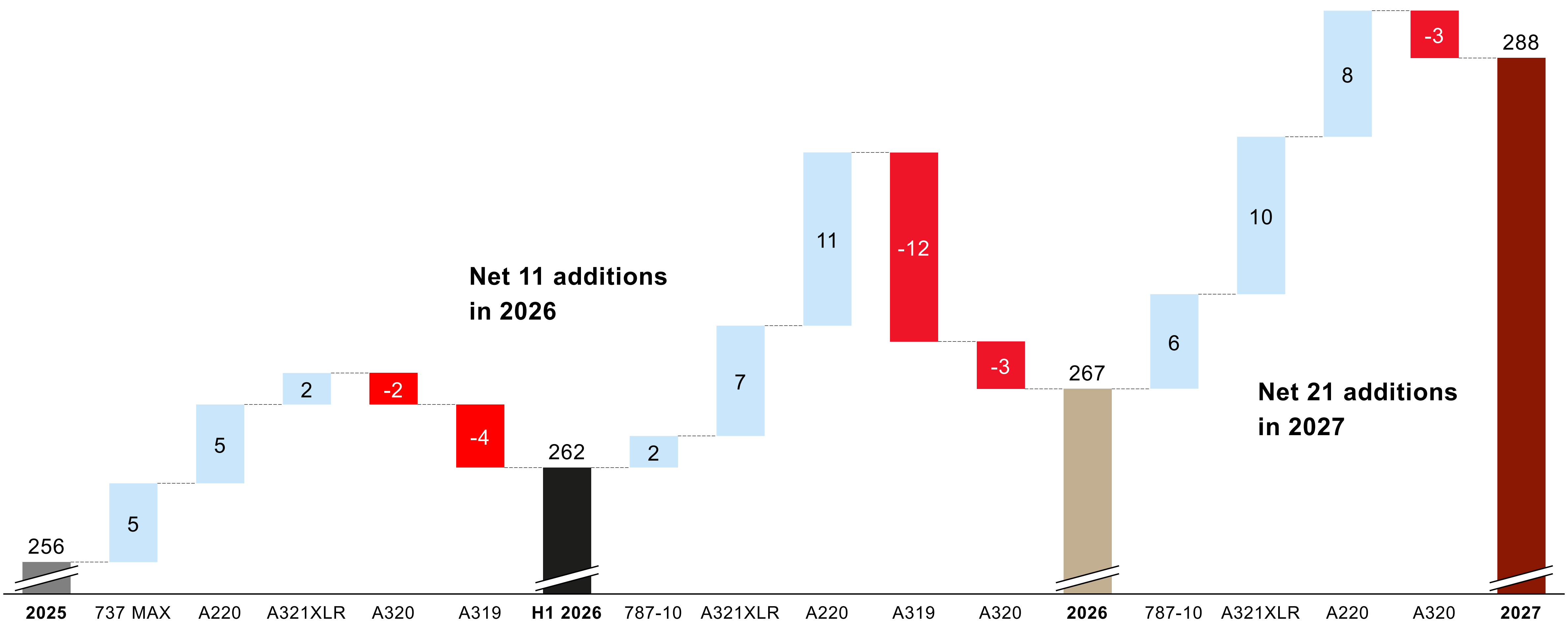
$651M
in Q2 2026
($244M) YoY

FCF

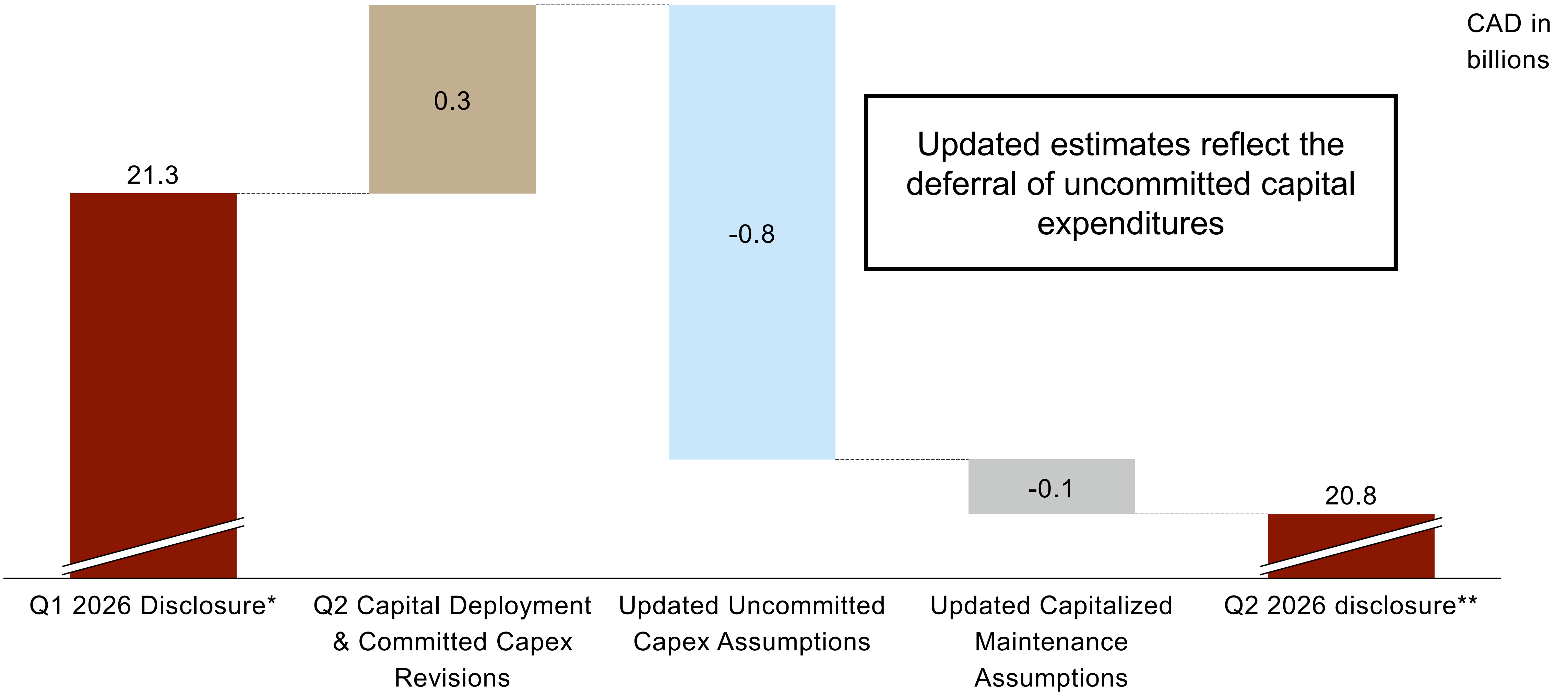
$174M
in Q2 2026
($9M) YoY

* 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. This measure is not recognized for financial statement presentation under GAAP, does 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.
** Total debt represents total long-term debt and lease liabilities, including current portion.

Fleet Dynamics: 2026 fleet entries partially offset by retirements, long-haul capacity entering in 2H 2026 and 2027



Capital Commitments: Updated capital requirements outlook



*Includes $477M in additions to property, equipment, and intangible assets, as reported in Q1 2026
** Includes $1,172M in additions to property, equipment, and intangible assets, as reported in the first six months of 2026

Guidance: reinstating and updating full-year 2026 guidance*

Capacity	Adjusted CASM	Adjusted EBITDA	Free Cash Flow
2.25% to 3.25% increase versus 2025 (Previously 3.5% to 5.5% increase versus 2025)	5.0% to 6.0% increase versus 2025 (Previously 15.05 ¢ to 15.35 ¢)	Between $2.9B and $3.2B (Previously $3.35 billion to $3.75 billion)	$200 to $500M ($400 million to $800 million)

*Air Canada made assumptions in providing its guidance, including a modest Canadian GDP growth for 2026 current demand trends continuing through the third quarter and remainder of 2026. Air Canada assumes that the Canadian dollar will trade, on average, at C$1.41 per U.S. dollar for the full year 2026 (previously C$1.36 per U.S. dollar). Air Canada also assumes that the price of jet fuel will average at approximately C$1.38 per litre for the third quarter of 2026 and C$1.29 per litre for the fourth quarter of 2026 (previously an average of C$0.90 per litre for the full year 2026).. Our assumptions are based on the forward curve as of July 29, 2026, adjusted to reflect Air Canada's specific supply chain environment, including Air Canada's fuel infrastructure at Canadian hubs, where fuel is typically contracted and received on a one- to two-month forward basis, as well as pricing exposure at international station locations. These jet fuel estimates reflect Air Canada’s capacity plans and remain subject to ongoing volatility in global energy markets.

Air Canada expects it can offset, for the third quarter of 2026, approximately 60 per cent of the estimated incremental jet fuel expense above its assumptions immediately prior to February 12, 2026, which includes the expected hedging gains in the third quarter, and 100% for the fourth quarter of 2026.

Air Canada has entered into non-binding letters for up to $2 billion in sale and leaseback transactions scheduled to close in 2026 and 2027, subject to the execution of definitive and binding agreements and completion of standard conditions precedent. As part of the assumptions for 2026 guidance, Air Canada has assumed execution on its sale-leaseback transactions for $1 billion in 2026.

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.

Recognitions: Key industry awards

Freddie Awards

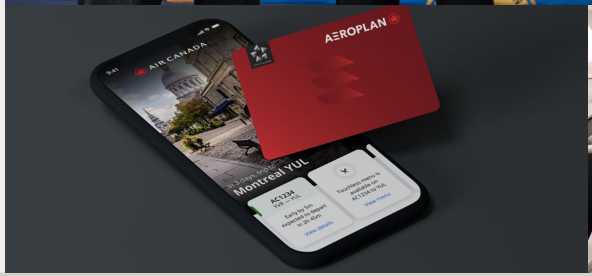
- ✓ Earned top honors in three categories in Americas region:
  - ✓ Program of the Year
  - ✓ Best Redemption Ability
  - ✓ Best Promotion for its Accelerate Your Way to Status campaign

APEX 2026 Awards

- ✓ Earned Passenger-Rated Five Star Global Airline Award for Sixth Consecutive Year

2025 Skytrax World Airline Awards

- ✓ Awarded in 9 categories, most among North American airlines
- ✓ Including:
  - ✓ Best Airline in North America
  - ✓ Best Cabin Crew in North America
  - ✓ Best Cabin Crew in Canada
  - ✓ Best Low-Cost Airline - Rouge
- ✓ Only North American airline in the world's Top 20 in Skytrax's global rankings in 2025



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, Chief Commercial Officer and President, Cargo

Craig Landry
EVP & Chief Innovation Officer and President of Aeroplan

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

Mark Nasr
EVP & Chief Operations Officer

Kevin O'Connor
SVP, Global Airports & Operations Control

Murray Strom
SVP, Flight Operations and Maintenance

Fundamentals: Air Canada's robust foundations

- 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

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.

Air Canada - a growth airline with operating leverage, structural FCF generation and balance sheet strength

*As communicated in Air Canada's December 17, 2024 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.

Total operating revenues per available seat mile or TRASM – Refers to average total operating revenues per ASM.

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 2026, 2025 or 2024.

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.

In 2025 Air Canada recorded a one-time pension past service cost and other labour related charges of $194 million, including from the pension plan amendments made in conjunction with the collective agreement reached with the Canadian Union of Public Employees (CUPE) and an operating expense related to the streamlining of Air Canada's management structure. In 2024, with ratification of the collective agreement with the Air Line Pilots Association (ALPA), Air Canada recorded a one-time pension past service cost of $490 million in the fourth quarter of 2024. Air Canada has excluded these charges in computing its adjusted EBITDA, adjusted CASM, 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 June 30, 2026, and June 30, 2025. 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)	Second Quarter						First Six Months					
	2026		2025		Change		2026		2025		Change	
Operating expense – GAAP	$	**6,481**	$	**5,214**	$	**1,267**	$	**12,149**	$	**10,518**	$	**1,631**
Adjusted for:												
Aircraft fuel		(1,713)		(1,148)		(565)		(2,907)		(2,334)		(573)
Ground package costs		(164)		(157)		(7)		(596)		(530)		(66)
Freighter costs (excluding fuel)		(49)		(42)		(7)		(91)		(84)		(7)
Pension plan share trust		(208)		-		(208)		(208)		-		(208)
Pension plan amendments		(132)		-		(132)		(132)		-		(132)
Benefits-related past service cost		(20)		-		(20)		(20)		-		(20)
Provision for legal reserve		(28)		-		(28)		(28)		-		(28)
Operating expense, adjusted for the above-noted items	$	**4,167**	$	**3,867**	$	**300**	$	**8,167**		**7,570**		**597**
ASMs (millions)		**26,942**		**26,860**		**0.3%**		**51,771**		**51,100**		**1.3%**
Adjusted CASM (cents)	¢	**15.47**	¢	**14.40**	¢	**1.07**	¢	**15.78**	¢	**14.81**	¢	**0.97**

Non-GAAP Financial Measures (Cont’d)

Adjusted Cost per Available Seat Mile

Adjusted CASM is reconciled to GAAP operating expense as follows:

(Canadian dollars in millions, except where indicated)	Full Year			
	2025		2024	
Operating expense – GAAP	**$**	**21,454**	**$**	**20,992**
Adjusted for:				
Aircraft fuel		(4,731)		(5,118)
Ground package costs		(872)		(782)
Freighter costs (excluding fuel)		(173)		(163)
Provision for contractual lease obligations		-		(34)
Pension plan amendments		(194)		(490)
Operating expense, adjusted for the above-noted items		**15,484**		**14,405**
ASMs (millions)		**105,174**		**104,381**
Adjusted CASM (cents)	**¢**	**14.72**	**¢**	**13.80**

Non-GAAP Financial Measures (Cont’d)

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA (earnings before interest, taxes, depreciation, amortization and impairment) 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, amortization and impairment 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 as follows:

(Canadian dollars in millions, except where indicated)	Second Quarter			First Six Months		
	2026	2025	Change	2026	2025	Change
Operating income – GAAP	**$ (215)**	**$ 418**	**$ (633)**	**$ (98)**	**$ 310**	**$ (408)**
Add back:						
Depreciation, amortization and impairment	546	491	55	1,052	986	66
Pension plan share trust	208	-	208	208	-	208
Pension plan amendments	132	-	132	132	-	132
Benefits-related past service cost	20	-	20	20	-	20
Provision for legal reserve	28	-	28	28	-	28
Adjusted EBITDA	**$ 719**	**$ 909**	**$ (190)**	**$ 1,342**	**$ 1,296**	**$ 46**
Operating revenues	**$ 6,266**	**$ 5,632**	**$ 634**	**$ 12,051**	**$ 10,828**	**$ 1,223**
Operating margin (%)	**(3.4)**	**7.4**	**(10.8) pp**	**(0.8)**	**2.9**	**(3.7) pp**
Adjusted EBITDA margin (%)	**11.5**	**16.1**	**(4.6) pp**	**11.1**	**12.0**	**(0.9) pp**

Non-GAAP Financial Measures (Cont'd)

Adjusted EBITDA

Adjusted EBITDA is reconciled to GAAP operating income as follows:

(Canadian dollars in millions, except where indicated)	Twelve-months ended		
	June 30, 2026	December 31, 2025	June 30, 2025
Operating income – GAAP	**$ 510**	**$ 918**	**$ 1,096**
Add back:			
Depreciation, amortization and impairment	2,078	2,012	1,895
Provision for contractual lease obligations	-	-	34
Pension plan share trust	208	-	-
Pension plan amendments and other labour-related charges	326	194	490
Benefits-related past service cost	20	-	-
Provision for legal reserve	28	-	-
Adjusted EBITDA	**$ 3,170**	**$ 3,124**	**$ 3,515**

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 and adjusted earnings per share – diluted are reconciled to GAAP net income as follows:

(Canadian dollars in millions)	Second Quarter			First Six Months		
	2026	2025	Change	2026	2025	Change
Net income – GAAP	**$ (178)**	**$ 186**	**$ (364)**	**$ (130)**	**$ 84**	**$ (214)**
Adjusted for:						
Foreign exchange (gain) loss	4	190	(186)	(99)	201	(300)
Net interest relating to employee benefits	(10)	(5)	(5)	(19)	(10)	(9)
(Gain) loss on financial instruments recorded at fair value	6	(6)	12	3	(60)	63
Loss on debt settlements	-	-	-	56	-	56
Gain on sale and leaseback of assets	(36)	-	(36)	(82)	-	(82)
Other corporate expenses	-	18	(18)	-	18	(18)
Pension plan share trust	208	-	208	208	-	208
Pension plan amendments	132	-	132	132	-	132
Benefit related past service cost	20	-	20	20	-	20
Provision for legal reserve, including interest	69	-	69	69	-	69
Income tax, including for the above reconciling items	(101)	(176)	75	(60)	(176)	116
Adjusted net income	**$ 114**	**$ 207**	**$ (93)**	**$ 98**	**$ 57**	**$ 41**
Weighted average number of outstanding shares used in computing diluted income per share (in millions)	284	341	(57)	289	344	(56)
Adjusted earnings per share – diluted	**$ 0.40**	**$ 0.60**	**$ (0.20)**	**$ 0.34**	**$ 0.16**	**$ 0.18**

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.
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(Canadian dollars in millions)	Second Quarter			First Six Months		
	2026	2025	Change	2026	2025	Change
Net cash flows from operating activities	**$ 651**	**$ 895**	**$ (244)**	**$ 2,449**	**$ 2,421**	**$ 28**
Additions to property, equipment, and intangible assets	(695)	(712)	17	(1,172)	(1,407)	235
Proceeds from sale and leaseback of assets	218	-	218	501	-	501
Free cash flow	**$ 174**	**$ 183**	**$ (9)**	**$ 1,778**	**$ 1,014**	**$ 764**

(Canadian dollars in millions)	Full Year	
	2025	2024
Net cash flows from operating activities	**$ 3,657**	**$ 3,930**
Additions to property, equipment, and intangible assets	(2,910)	(2,636)
Proceeds from sale and leaseback of assets	-	-
Free cash flow	**$ 747**	**$ 1,294**

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 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 net debt balances as at the dates indicated.

(Canadian dollars in millions)		June 30, 2026		December 31, 2025		Change		June 30, 2025
Total long-term debt and lease liabilities	$	9,417	$	8,609	$	808	$	10,247
Current portion of long-term debt and lease liabilities		3,377		2,967		410		1,547
Total long-term debt and lease liabilities (including current portion)		**12,794**		**11,576**		**1,218**		**11,794**
Less cash, cash equivalents and short and long-term investments		(7,524)		(6,165)		(1,359)		(7,037)
Net debt	**$**	**5,270**	**$**	**5,411**	**$**	**(141)**	**$**	**4,757**
Adjusted EBITDA (trailing 12 months)	$	**3,170**	$	**3,124**	**$**	**46**	**$**	**3,515**
Net debt to adjusted EBITDA ratio		**1.7**		**1.7**		**-**		**1.4**

Non-GAAP Financial Measures (Cont'd)

Net cash flows from operating activities as a percentage of adjusted EBITDA

Air Canada uses net cash flows from operating activities as a percentage of adjusted EBITDA to measure cash conversion from adjusted EBITDA. This measure is defined as the ratio of net cash flows from operating activities to adjusted EBITDA.

Additions to property, equipment and intangible assets as a percentage of operating revenues

Air Canada uses additions to property, equipment and intangible assets as a percentage of operating revenues to measure the proportion of operating revenues that are reinvested as capital expenditures. This measure is defined as the ratio of additions to property, equipment and intangible assets to operating revenues.

Free cash flow margin

Air Canada uses free cash flow margin to measure the amount its free cash flow represents as a percentage of operating revenues. This measure is defined as the ratio of free cash flow to operating revenues.

The table below presents the quantitative reconciliation for adjusted EBITDA, adjusted EBITDA margin, 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 and free cash flow margin, in each case for the financial years ended December 31, 2025 and 2024.

(Canadian dollars in millions)	2025		2024	
Total operating revenues – GAAP	$	22,372	$	22,255
Adjusted EBITDA	$	3,124	$	3,586
Net cash flows from operating activities	$	3,657	$	3,930
Additions to property, equipment and intangible assets		(2,910)		(2,636)
Free cash flow	$	747	$	1,294
Net cash flows from operating activities as a percentage of adjusted EBITDA		117%		110%
Additions to property, equipment and intangible assets as a percentage of operating revenues		13%		12%
Free cash flow margin		3%		6%