AIR CANADA

News Release

Air Canada Reports Second Quarter 2026 Financial Results

- Delivered record second-quarter operating revenues of $6.3 billion, driven by strong demand across the network
- Reported an adjusted EBITDA of $719 million, at the top end of the second-quarter guidance range, and an operating loss of $215 million, including $388 million of labour-related and other charges
- Generated $651 million in net cash flows from operating activities and $174 million in free cash flow*
- Deployed $125 million in the quarter to repurchase over six million shares
- Reinstated and updated full-year 2026 guidance, including adjusted EBITDA of $2.9 billion to $3.2 billion

MONTRÉAL, August 11, 2026 – Air Canada today reported its second quarter 2026 financial results and provided updated full-year 2026 financial guidance.

“Air Canada delivered record second-quarter operating revenues, up 11 per cent year over year, supported by strong demand across our network, including continued strength in premium and corporate travel, as well as Sixth Freedom traffic. Capacity increased 0.3 per cent year over year, 0.2 percentage points below the lower end of our second quarter guidance mainly due to weather-related disruptions that negatively affected flight completion rates in the latter part of the quarter. Adjusted EBITDA reached $719 million, at the top end of our second quarter guidance range, despite a 49 per cent year-over-year increase in fuel expense. The performance in the quarter reflected the benefits of our diversified sources of revenue, the effectiveness of our pricing actions, and our continued focus on controllable cost execution. It especially underscores the dedication and professionalism of our employees, whom I thank for their unwavering commitment to serving our customers with excellence,” said Michael Rousseau, President and Chief Executive Officer.

“Cash generation and balance sheet strength remain key anchors of Air Canada’s financial foundation. In the quarter, we generated $651 million in net cash flows from operating activities and $174 million in free cash flow, fuelling our ability to invest in the business and return capital to shareholders. In the quarter, we deployed $125 million for share repurchases and maintained our leverage ratio* at 1.7.

"Looking ahead, we are reinstating and updating full-year 2026 guidance, supported by resilient demand for premium and corporate travel, our fare actions to mitigate fuel-price volatility and our disciplined cost management. Reflecting the progress we have made in strengthening our financial position, we believe an investment grade rating is achievable in the mid-term. Beyond 2026, with Anko van der Werff announced as my successor, I am confident Air Canada has leadership continuity, a clear strategy and the financial strength to continue driving its long-term objectives and create significant sustainable value for all stakeholders," concluded Mr. Rousseau.

**Adjusted CASM, adjusted EBITDA (earnings before interest, taxes, depreciation, amortization and impairment), adjusted EBITDA margin, leverage ratio, net debt, adjusted pre-tax income (loss), adjusted net income (loss), adjusted earnings (loss) per share – diluted, and free cash flow are referred to in this news release. Such measures are non-GAAP financial measures, non-GAAP ratios or supplementary financial 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. Leverage ratio of 1.4 at June 30, 2025. Adjusted EBITDA and operating income for the trailing 12-month period ended June 30, 2026 were $3.170 billion and $510 million, respectively ($3.515 billion and $1.096 billion, respectively for the trailing 12-month period ended June 30, 2025). Refer to the "Non-GAAP Financial Measures" section of this news release for descriptions of these measures and for a reconciliation of Air Canada non-GAAP measures used in this news release to the most comparable GAAP financial measure.*

Second Quarter 2026 Financial Results

- Operating revenues of $6.266 billion
- Operating expenses of $6.481 billion
- Operating loss of $215 million with an operating margin of (3.4)% and an adjusted EBITDA* of $719 million with an adjusted EBITDA margin* of 11.5%
- Loss before income taxes of $316 million and adjusted pre-tax income* of $77 million
- Net loss of $178 million and diluted loss per share of $0.63
- Adjusted net income* of $114 million and adjusted earnings per diluted share* of $0.40
- Adjusted CASM* of 15.47 cents
- Net cash flows from operating activities of $651 million and free cash flow of $174 million
- Long-term debt and lease liabilities of $12.794 billion and a net leverage ratio* of 1.7

Outlook

Air Canada is reinstating updated financial guidance for full-year 2026 as follows:

Metric	Updated Full-Year 2026 Guidance	Prior Full-Year 2026 Guidance (Suspended on April 30, 2026)
Adjusted EBITDA*	$2.9 billion to $3.2 billion	$3.35 billion to $3.75 billion
ASM capacity	2.25% to 3.25% increase from 2025	3.5% to 5.5% increase versus 2025
Adjusted CASM*	5-6% increase from 2025	15.05 ¢ to 15.35 ¢
Free cash flow*	$200 million to $500 million	$400 million to $800 million

**Refer to the "Non-GAAP Financial Measures" section of this news release for descriptions of these measures, and for a reconciliation of Air Canada non-GAAP measures used in this news release to the most comparable GAAP financial measure.*

Major Assumptions

Air Canada made assumptions in providing its guidance, including a modest Canadian GDP growth for 2026 and 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 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. In addition, aircraft fuel prices have been, and continue to be, subject to high volatility as a result of the ongoing conflicts in the Middle East. Moreover, there has been significant disruption to international shipping trade routes through the Strait of Hormuz, further exacerbating the impact on fuel supply and prices, including for aircraft fuel. A prolonged or escalating conflict could further disrupt global energy markets and cause aircraft fuel prices to remain elevated or rise even higher. We cannot predict future supply constraints, price volatility or cost of aircraft fuel, or how long current or future conflicts will last or their ultimate impact on global energy markets and across the aviation industry. Please see the discussion below under Caution Regarding Forward-looking Information.

2028 targets and 2030 aspirations

Air Canada announced the following long-term 2028 financial targets and 2030 aspirations in December 2024:

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

**Adjusted EBITDA (earnings before interest, taxes, depreciation, amortization and impairment), 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 margin and return on invested capital are referred to in this news release. Such measures are non-GAAP financial measures, non-GAAP ratios or supplementary financial 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. Refer to the "Non-GAAP Financial Measures" section of this news release for descriptions of these measures and for a reconciliation of Air Canada non-GAAP measures used in this news release to the most comparable GAAP financial measure.*

The 2028 long-term targets and 2030 aspirations provided in this news release do not constitute guidance or outlook but rather are provided for the purpose of assisting the reader in measuring progress toward Air Canada's objectives. Readers are cautioned that these targets and aspirations may change as conditions evolve and are referred to the assumptions, risks and uncertainties described in the 2024 Investor Day presentations, which are available in the events section at **aircanada.com/investors** and elsewhere in this news release, including assumptions relating to demand trends, jet fuel supply, prices and forward curves, the ability to significantly recapture elevated fuel prices, increasing revenues, growing fleet and network capacity and successfully executing on other key investments and initiatives.

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: 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 Air Canada 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.

In the second quarter of 2026, Air Canada concluded a four-year collective agreement with Unifor and recorded a pension past service cost of $132 million related to pension plan amendments in relation to this agreement. Air Canada also recorded a $208 million charge related to pensioner lump sum payments and voluntary separation packages following the completion, in April 2026, of this agreement, allowing proceeds from the sale of shares held in the union pension funding trust to be used for these purposes. Air Canada also recorded a $20 million benefits-related past service cost and a $28 million provision in respect of a legal matter. These items were excluded in the calculation of adjusted CASM, adjusted EBITDA, adjusted pre-tax income and adjusted net income. Additionally, a related $41 million interest expense associated with a legal matter was excluded from 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 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.

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.

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.

Adjusted CASM

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. 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 as at 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.

The following tables provide the adjusted CASM reconciliation to GAAP operating expense for the periods indicated.

(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**

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. 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 (loss) – 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**

(Canadian dollars in millions)	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**

Adjusted Pre-tax Income (Loss)

Adjusted pre-tax income (loss) is used by Air Canada to assess the overall pre-tax financial performance of its business without the effects of foreign exchange gains or losses, net interest 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 disposal of assets, gains or losses on debt settlements and modifications and other items discussed above. These items may distort the analysis of certain business trends and render comparative analysis across periods or to other airlines less meaningful.

Adjusted pre-tax income is reconciled to GAAP income before income taxes as follows:

(Canadian dollars in millions)	Second Quarter			First Six Months		
	2026	2025	Change	2026	2025	Change
Income (loss) before income taxes – GAAP	**$ (316)**	**$ 103**	**$ (419)**	**$ (193)**	**$ (64)**	**$ (129)**
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
Benefits-related past service cost	20	-	20	20	-	20
Provision for legal reserve, including interest expense	69	-	69	69	-	69
Adjusted pre-tax income	**$ 77**	**$ 300**	**$ (223)**	**$ 95**	**$ 85**	**$ 10**

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, except per share figures)	Second Quarter			First Six Months		
	2026	2025	Change	2026	2025	Change
Net income (loss) – 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
Benefits-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	(55)
Adjusted earnings per share – diluted	**$ 0.40**	**$ 0.60**	**$ (0.20)**	**$ 0.34**	**$ 0.16**	**$ 0.18**

The table below reflects the share amounts used in the computation of basic and diluted earnings per share on an adjusted earnings per share basis:

(In millions)	Second Quarter		First Six Months	
	2026	2025	2026	2025
Weighted average number of shares outstanding – basic	**283**	**323**	**288**	**326**
Effect of dilution	1	18	1	18
Weighted average number of shares outstanding – diluted	**284**	**341**	**289**	**344**

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 it is net of proceeds from sale and leaseback transactions.

The table below reconciles free cash flow to net cash flows from operating activities for the periods indicated.

	Second Quarter			First Six Months		
(Canadian dollars in millions)	**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**

Net Debt

Net debt is a capital management measure and a key component of the capital managed by Air Canada and provides management with a measure of its net indebtedness.

Net Debt to Trailing 12-Month Adjusted EBITDA (Leverage Ratio)

Net debt to trailing 12-month adjusted EBITDA ratio (also referred to as “leverage ratio”) is commonly used in the airline industry and is used by Air Canada as a means to measure financial leverage. Leverage ratio is calculated by dividing net debt by trailing 12-month adjusted EBITDA.

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

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

The table below presents comparative figures for the 12-month periods ending December 31, 2024 and 2025, in reference to Air Canada's full-year 2026 guidance, 2028 financial targets and 2030 aspirations.

(Canadian dollars in millions, except where indicated)	2025[1]	2024[1]
ASM Capacity	105.174 billion	104.381 billion
Adjusted CASM (cents)	14.72¢	13.80¢
Operating expenses	$21.454 billion	$20.992 billion
Adjusted EBITDA	$3.124 billion	$3.586 billion
Operating income	$918 million	$1.263 billion
Free cash flow	$747 million	$1.294 billion
Net cash flows from operating activities	$3.657 billion	$3.930 billion
Operating revenues	$22.372 billion	$22.255 billion
Adjusted EBITDA margin	14%	16%
Operating margin	4%	6%
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%
Return on invested capital	9%	14%
Income before income taxes	$789 million	$515 million
Fully diluted share count	~307 million shares	~367 million shares

[1] *Percentage amounts in the table above may not calculate exactly due to rounding.*

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.

(in millions, except where indicated)	2025	2024
Total operating revenues – GAAP	**$ 22,372**	**$ 22,255**
Operating income – GAAP	**$ 918**	**$ 1,263**
Add back:		
Depreciation, amortization and impairment	2,012	1,799
Provision for contractual lease obligations	-	34
Pension plan amendments and other labour-related charges	194	490
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**
Operating margin	**4%**	**6%**
Adjusted EBITDA margin	**14%**	**16%**
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%**

Return on invested capital

Air Canada uses return on invested capital (ROIC) to assess the efficiency with which it allocates its capital to generate returns. ROIC is calculated as the ratio of adjusted pre-tax income (loss), excluding interest expense, to invested capital. Invested capital includes average year-over-year long-term debt and lease obligations, average year-over-year shareholders' equity and the embedded derivative on Air Canada's convertible notes. In 2020, Air Canada issued convertible unsecured notes. Air Canada had the option to deliver cash or a combination of cash and shares on the conversion date in lieu of shares, giving rise to an embedded derivative that was included as part of the definition of capital. Air Canada calculates invested capital on a book value-based method when calculating ROIC.

Return on invested capital is reconciled to GAAP income (loss) before income taxes as follows:

	Twelve-months ended			
(in millions, except where indicated)	**June 30, 2026**	**December 31, 2025**	**June 30, 2025**	**December 31, 2024**
Income before income taxes – GAAP	**$ 660**	**$ 789**	**$ 112**	**$ 515**
Adjusted for:				
Provision for contractual lease obligations	-	-	34	34
Pension plan amendments and other labour-related charges	326	194	490	490
Foreign exchange (gain) loss	(545)	(245)	658	400
Net interest relating to employee benefits	(33)	(24)	(21)	(22)
(Gain) loss on financial instruments recorded at fair value	(19)	(82)	(48)	(28)
(Gain) loss on debt settlements and modifications	56	-	(38)	8
Gain on sale and leaseback of assets	(82)	-	-	-
Other corporate expenses	8	26	18	-
Pension plan share trust	208	-	-	-
Benefit-related past service cost	20	-	-	-
Provision for legal reserve, including interest	69	-	-	-
Adjusted pre-tax income	**$ 668**	**$ 658**	**$ 1,205**	**$ 1,397**
Add back:				
Interest expense	634	663	710	763
Adjusted pre-tax income before interest expense	**$ 1,302**	**$ 1,321**	**$ 1,915**	**$ 2,160**
Invested capital:				
Average long-term debt and lease liabilities (including current portion)	12,294	12,123	12,136	13,266
Embedded derivative on convertible notes	-	-	-	45
Average shareholders' equity	2,232	2,490	1,476	1,592
Invested capital	**$ 14,526**	**$ 14,613**	**$ 13,612**	**$ 14,903**
Return on invested capital (%)	**9%**	**9%**	**14%**	**14%**

Second Quarter 2026 Conference Call

Air Canada will host its quarterly analysts' call on Wednesday, August 12, 2026, at 8 a.m. ET. Michael Rousseau, President and Chief Executive Officer, John Di Bert, Executive Vice President and Chief Financial Officer, and Mark Galardo, Executive Vice President and Chief Commercial Officer and President, Cargo, will present the results and be available for analysts' questions. Immediately following the analysts' Q&A session, Mr. Di Bert and Pierre Houle, Vice President and Treasurer, will be available to answer questions from term loan B lenders and holders of Air Canada bonds.

Media and the public may access this call on a listen-only basis. Webcast details are as follows:
https://edge.media-server.com/mmc/p/5vxkq96v

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This news release 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 news release 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.

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INFORMATION

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Selected Financial Metrics and Statistics

The financial and operating highlights for Air Canada for the periods indicated are as follows:

(Canadian dollars in millions, except per share data or where indicated)	Second Quarter			First Six Months		
Financial Performance Metrics	**2026**	**2025**	**$ Change**	**2026**	**2025**	**$ Change**
Operating revenues	6,266	5,632	634	12,051	10,828	1,223
Operating income (loss)	(215)	418	(633)	(98)	310	(408)
Operating margin [1] (%)	(3.4)	7.4	(10.8) pp [8]	(0.8)	2.9	(3.7) pp
Adjusted EBITDA [2]	719	909	(190)	1,342	1,296	46
Adjusted EBITDA margin [2] (%)	11.5	16.1	(4.6) pp	11.1	12.0	(0.9) pp
Income (loss) before income taxes	(316)	103	(419)	(193)	(64)	(129)
Net income (loss)	(178)	186	(364)	(130)	84	(214)
Adjusted pre-tax income [2]	77	300	(223)	95	85	10
Adjusted net income [2]	114	207	(93)	98	57	41
Total liquidity [3]	8,910	8,364	546	8,910	8,364	546
Net cash flows from operating activities	651	895	(244)	2,449	2,421	28
Free cash flow [2]	174	183	(9)	1,778	1,014	764
Net debt [2]	5,270	4,757	513	5,270	4,757	513
Long-term debt and lease liabilities	12,794	11,794	1,000	12,794	11,794	1,000
Diluted earnings (loss) per share	(0.63)	0.51	(1.14)	(0.45)	0.10	(0.55)
Adjusted earnings per share – diluted [2]	0.40	0.60	(0.20)	0.34	0.16	0.18
Operating Statistics [4]	**2026**	**2025**	**Change %**	**2026**	**2025**	**Change %**
Revenue passenger miles (RPMs) (millions)	23,597	22,796	3.4	44,970	42,683	5.4
Available seat miles (ASMs) (millions)	26,942	26,860	0.3	51,771	51,100	1.3
Passenger load factor %	87.5%	84.9%	2.6 pp	86.9%	83.5%	3.3 pp
Passenger revenue per RPM (Yield) (cents)	23.7	22.1	7.2	23.1	21.9	5.1
Passenger revenue per ASM (PRASM) (cents)	20.7	18.7	10.5	20.0	18.3	9.3
Operating revenue per ASM (TRASM) (cents)	23.3	21.0	10.9	23.3	21.2	9.9
Operating expense per ASM (CASM) (cents)	24.1	19.4	24.3	23.5	20.6	14.0
Adjusted CASM (cents) [2]	15.5	14.4	7.4	15.8	14.8	6.5
Average number of full-time-equivalent (FTE) employees (thousands) [5]	37.0	37.3	(0.8)	36.5	37.2	(2.1)
Aircraft in operating fleet at period-end	357	364	(1.9)	357	364	(1.9)
Seats dispatched (thousands)	14,644	14,478	1.2	28,049	27,817	0.8
Aircraft frequencies (thousands)	100.3	98.5	1.8	192.4	189.9	1.3
Average stage length (miles) [6]	1,840	1,855	(0.8)	1,846	1,837	0.5
Fuel cost per litre (cents)	132.7	88.0	50.8	115.7	92.9	24.5
Fuel litres (thousands)	1,273,971	1,271,963	0.2	2,479,145	2,463,407	0.6
Revenue passengers carried (thousands) [7]	12,032	11,551	4.2	22,992	21,934	4.8

(1) Operating margin is a supplementary financial measure and is defined as operating income (loss) as a percentage of operating revenues.

(2) Adjusted EBITDA (earnings before interest, taxes, depreciation, amortization and impairment), adjusted EBITDA margin, adjusted pre-tax income (loss), adjusted net income (loss), free cash flow, net debt, adjusted earnings (loss) per share, and adjusted CASM are non-GAAP financial measures, capital management measures, non-GAAP ratios or supplementary financial measures. Such measures are not recognized measures for financial statement presentation under GAAP, do not have standardized meanings, may not be comparable to similar measures presented by other entities and should not be considered a substitute for or superior to GAAP results. Refer to section "Non-GAAP Financial Measures" of this release for descriptions of Air Canada's non-GAAP financial measures and for a quantitative reconciliation of Air Canada's non-GAAP financial measures to the most comparable GAAP measure.

(3) Total liquidity refers to the sum of cash, cash equivalents, short- and long-term investments and the amounts available under Air Canada's credit facilities. Total liquidity, as at June 30, 2026, of $8,910 million, consisted of $7,524 million in cash, cash equivalents and short- and long-term investments and $1,386 million available under undrawn credit facilities. As at June 30, 2025, total liquidity of $8,364 million consisted of $7,037 million in cash, cash equivalents, short- and long-term investments and $1,327 million available under undrawn credit facilities. These amounts also include funds ($188 million

as at June 30, 2026 and $168 million as at June 30, 2025) held in trust by Air Canada Vacations in accordance with regulatory requirements governing advance sales for tour operators.

(4) *Except for the reference to average number of full-time equivalent (FTE) employees, operating statistics in this table include third-party carriers operating under capacity purchase agreements with Air Canada.*

(5) *Reflects FTE employees at Air Canada and its subsidiaries. Excludes FTE employees at third-party carriers operating under capacity purchase agreements with Air Canada.*

(6) *Average stage length is calculated by dividing the total number of available seat miles by the total number of seats dispatched.*

(7) *Revenue passengers are counted on a flight number basis (rather than by journey/itinerary or by leg), which is consistent with the IATA definition of revenue passengers carried.*

(8) *The acronym "pp" is a measure of the arithmetic / absolute difference between two percentages.*