



First Quarter 2026

INTERIM UNAUDITED
Condensed Consolidated
Financial Statements and Notes



April 30, 2026



A STAR ALLIANCE MEMBER 

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited (Canadian dollars in millions)	March 31, 2026	December 31, 2025
ASSETS		
Current		
Cash and cash equivalents	\$ 4,054	\$ 2,795
Short-term investments	2,635	2,730
Total cash, cash equivalents and short-term investments	6,689	5,525
Accounts receivable	1,481	1,292
Aircraft fuel inventory	170	214
Spare parts and supplies inventory	297	276
Prepaid expenses and other current assets	735	609
Total current assets	9,372	7,916
Investments, deposits and other assets	1,088	959
Property and equipment Note 11	14,983	14,515
Pension assets	2,453	2,513
Deferred income tax	661	774
Intangible assets	1,258	1,265
Goodwill	3,273	3,273
Total assets	\$ 33,088	\$ 31,215
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 4,383	\$ 4,513
Advance ticket sales	6,177	4,814
Aeroplan and other deferred revenue	1,785	1,840
Current portion of long-term debt and lease liabilities Note 3	3,292	2,967
Total current liabilities	15,637	14,134
Long-term debt and lease liabilities Note 3	9,009	8,609
Aeroplan and other deferred revenue	2,780	2,779
Pension and other benefit liabilities	1,466	1,534
Maintenance provisions	1,252	1,341
Other long-term liabilities	151	154
Deferred income tax	73	73
Total liabilities	\$ 30,368	\$ 28,624
SHAREHOLDERS' EQUITY		
Share capital	2,216	2,275
Contributed surplus	171	166
Hedging reserve	177	(3)
Accumulated other comprehensive loss	(47)	(49)
Retained earnings	203	202
Total shareholders' equity	2,720	2,591
Total liabilities and shareholders' equity	\$ 33,088	\$ 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 March 31		
	2026	2025	
Operating revenues			
Passenger	Note 9	\$ 4,792	\$ 4,331
Cargo	Note 9	259	250
Other		734	615
Total revenues		5,785	5,196
Operating expenses			
Aircraft fuel		1,194	1,186
Wages, salaries and benefits		1,253	1,139
Depreciation, amortization and impairment		506	495
Airport and navigation fees		390	357
Aircraft maintenance		357	333
Sales and distribution costs		293	265
Capacity purchase fees		233	220
Ground package costs		432	373
Information technology		187	192
Catering and onboard services		173	137
Other	Note 10	650	607
Total operating expenses		5,668	5,304
Operating income (loss)		117	(108)
Non-operating income (expense)			
Foreign exchange gain (loss)		103	(11)
Interest income		56	75
Interest expense	Note 3	(159)	(178)
Interest capitalized		10	13
Financial instruments recorded at fair value	Note 8	3	54
Loss on debt settlements	Note 3	(56)	-
Gain on sale and leaseback of assets	Note 11	46	-
Other		3	(12)
Total non-operating income (expense)		6	(59)
Income (loss) before income taxes		123	(167)
Income tax recovery (expense)	Note 4	(75)	65
Net income (loss) for the period		\$ 48	\$ (102)
Net income (loss) per share	Note 6		
Basic earnings (loss) per share		\$ 0.16	\$ (0.31)
Diluted earnings (loss) per share		\$ 0.16	\$ (0.40)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Unaudited (Canadian dollars in millions)	Three months ended March 31	
	2026	2025
Comprehensive income (loss)		
Net income (loss) for the period	\$ 48	\$ (102)
Other comprehensive income (loss), net of tax:	Note 4	
Items that will not be reclassified to net income		
Remeasurements on net employee benefits	38	26
Remeasurements on equity investments	2	(6)
Items that will be reclassified to net income		
Fuel derivatives designated as cash flow hedges	180	-
Total comprehensive income (loss)	\$ 268	\$ (82)

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
January 1, 2025	\$ 2,612	\$ 149	-	\$ (48)	\$ (325)	\$ 2,388
Net loss	-	-	-	-	(102)	(102)
Remeasurements on net employee benefits	-	-	-	-	26	26
Remeasurements on equity investments	-	-	-	(6)	-	(6)
Total comprehensive (loss)	-	-	-	(6)	(76)	(82)
Share-based compensation	-	7	-	-	-	7
Shares purchased and cancelled under issuer bid (Note 5)	(119)	-	-	-	(202)	(321)
March 31, 2025	\$ 2,493	\$ 156	-	\$ (54)	\$ (603)	\$ 1,992
January 1, 2026	\$ 2,275	\$ 166	(3)	\$ (49)	\$ 202	\$ 2,591
Net income	-	-	-	-	48	48
Remeasurements on net employee benefits	-	-	-	-	38	38
Remeasurements on equity investments	-	-	-	2	-	2
Fuel derivatives designated as cash flow hedges	-	-	180	-	-	180
Total comprehensive income	-	-	180	2	86	268
Share-based compensation	1	5	-	-	-	6
Shares purchased and cancelled under issuer bid (Note 5)	(60)	-	-	-	(85)	(145)
March 31, 2026	\$ 2,216	\$ 171	177	\$ (47)	\$ 203	\$ 2,720

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

CONSOLIDATED STATEMENTS OF CASH FLOW

Unaudited (Canadian dollars in millions)	Three months ended March 31	
	2026	2025
Cash flows from (used in)		
Operating		
Net income (loss) for the period	\$ 48	\$ (102)
Adjustments to reconcile to net cash from operations		
Deferred income tax	Note 4	35 (78)
Depreciation, amortization and impairment		506 495
Foreign exchange loss (gain)		(133) 46
Employee benefit funding less than expense		18 27
Financial instruments recorded at fair value	Note 8	(3) (54)
Loss on debt settlements	Note 3	56 -
Change in maintenance provisions		43 62
Gain on sale and leaseback of assets	Note 11	(46) -
Changes in non-cash working capital balances		1,287 1,167
Other		(13) (37)
Net cash flows from operating activities	1,798	1,526
Financing		
Proceeds from borrowings	Note 3	278 -
Reduction of long-term debt and lease liabilities	Note 3	(504) (234)
Shares purchased for cancellation	Note 5	(137) (327)
Issue of shares		1 -
Financing fees	Note 3	(4) -
Net cash flows used in financing activities	(366)	(561)
Investing		
Short-term investments, net		- 531
Disposals of long-term investments		188 317
Purchases of long-term investments		(184) (310)
Additions to property, equipment and intangible assets		(477) (695)
Proceeds from sale and leaseback of assets	Note 11	283 -
Other		6 20
Net cash flows used in investing activities	(184)	(137)
Effect of exchange rate changes on cash and cash equivalents	11	15
Increase in cash and cash equivalents	1,259	843
Cash and cash equivalents, beginning of period	2,795	2,518
Cash and cash equivalents, end of period	\$ 4,054	\$ 3,361
Cash payments of interest	Note 3	\$ 176 \$ 200
Cash payments of income taxes		\$ 29 \$ 46

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 to, as the context may require, to Air Canada alone or Air Canada and one or more of its subsidiaries, including its principal wholly-owned operating subsidiaries, Aeroplan Inc. (“Aeroplan”), Touram Limited Partnership doing business under the brand name Air Canada Vacations® (“Air Canada Vacations”), and Air Canada rouge LP doing business under the brand name Air Canada Rouge® (“Air Canada Rouge”) or to one or more of such subsidiaries.

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 three months ended March 31, 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 as issued by the International Accounting Standards Board (“IFRS Accounting Standards”). These financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 “Interim Financial Reporting”. In accordance with GAAP, these financial statements do not include all the financial statement disclosures required for annual financial statements and should be read in conjunction with 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 April 30, 2026.

These financial statements are based on the accounting policies consistent with those disclosed in Note 2 to the 2025 annual consolidated financial statements except as otherwise described below.

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 this amendment with no material impact to Air Canada’s consolidated statement of financial position as of January 1, 2026 adoption. 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.

3. LONG-TERM DEBT AND LEASE LIABILITIES

	Final Maturity	Weighted Average Interest Rate (%)	March 31, 2026 (Canadian dollars in millions)	December 31, 2025 (Canadian dollars in millions)
Aircraft financing				
Fixed rate U.S. dollar financing	2026 – 2030	4.79	\$ 1,839	\$ 2,138
Floating rate U.S. dollar financing	2027	6.15	176	192
Fixed rate CDN dollar financing	2026 – 2030	3.78	131	131
Floating rate CDN dollar financing	2036 – 2037	3.99	223	227
Fixed rate Japanese yen financing	2027	1.84	103	103
Credit facility – CDN dollar	2028	1.21	1,182	1,172
Senior secured notes – CDN dollar	2029	4.63	2,000	2,000
Senior secured notes – U.S. dollar	2026	3.88	1,670	1,647
Senior secured credit facility – U.S. dollar	2031	5.42	1,880	1,554
Long-term debt		4.21	9,204	9,164
Lease liabilities				
Air Canada aircraft	2026 – 2037	5.79	1,973	1,591
Regional aircraft	2026 – 2035	5.38	719	446
Land and buildings	2026 – 2078	5.15	438	435
Lease liabilities		5.61	3,130	2,472
Total debt and lease liabilities excluding unamortized debt issuance costs and discounts		4.57	12,334	11,636
Unamortized debt issuance costs and discounts			(33)	(60)
Total debt and lease liabilities			12,301	11,576
Current portion – Long-term debt			(2,709)	(2,429)
Current portion – Air Canada aircraft			(473)	(454)
Current portion – Regional aircraft			(79)	(53)
Current portion – Land and buildings			(31)	(31)
Total current portion			(3,292)	(2,967)
Long-term debt and lease liabilities			\$ 9,009	\$ 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 March 31, 2026.

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 facility 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:

(Canadian dollars in millions)	Three months ended March 31	
	2026	2025
Interest on debt	\$ 118	\$ 142
Interest on lease liabilities		
Air Canada aircraft	26	30
Regional aircraft	10	5
Land and buildings	5	1
Interest expense	\$ 159	\$ 178

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

(Canadian dollars in millions)	Three months ended March 31	
	2026	2025
Short-term leases	\$ 3	\$ 3
Variable lease payments not included in lease liabilities	17	18
Expense related to leases (included in Other operating expenses)	\$ 20	\$ 21

Total cash outflows for payments on lease liabilities was \$192 million for the three months ended March 31, 2026 (\$185 million for the three months ended March 31, 2025), of which \$151 million was for principal repayments (\$149 million for the three months ended March 31, 2025).

Maturity Analysis

Principal and interest repayment requirements as at March 31, 2026 on Long-term debt and lease liabilities are as follows. U.S. dollar amounts are converted using the March 31, 2026 closing rate of CDN\$1.39.

Principal (Canadian dollars in millions)	Remainder of 2026	2027	2028	2029	2030	Thereafter	Total
Long-term debt obligations ⁽¹⁾	\$ 2,107	\$ 1,084	\$ 1,394	\$ 2,320	\$ 459	\$ 1,931	\$ 9,295
Air Canada aircraft	381	349	295	209	169	570	1,973
Regional aircraft	60	67	68	69	70	385	719
Land and buildings	24	32	31	24	22	305	438
Lease liabilities	\$ 465	\$ 448	\$ 394	\$ 302	\$ 261	\$ 1,260	\$ 3,130
Total long-term debt and lease liabilities	\$ 2,572	\$ 1,532	\$ 1,788	\$ 2,622	\$ 720	\$ 3,191	\$ 12,425

Interest (Canadian dollars in millions)	Remainder of 2026	2027	2028	2029	2030	Thereafter	Total
Long-term debt obligations ⁽¹⁾	\$ 243	\$ 297	\$ 238	\$ 221	\$ 112	\$ 58	\$ 1,169
Air Canada aircraft	80	85	67	50	38	98	418
Regional aircraft	27	33	29	26	22	52	189
Land and buildings	16	20	18	17	16	186	273
Lease liabilities	\$ 123	\$ 138	\$ 114	\$ 93	\$ 76	\$ 336	\$ 880
Total long-term debt and lease liabilities	\$ 366	\$ 435	\$ 352	\$ 314	\$ 188	\$ 394	\$ 2,049

(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 \$33 million, which are offset against Long-term debt and lease liabilities in the consolidated statement of financial position.

Cash flows from financing activities

Information on the change in liabilities for which cash flows have been classified as financing activities in the statement of cash flows is presented below.

(Canadian dollars in millions)	Cash Flows				Non-Cash Changes			Mar. 31, 2026
	Jan. 1, 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	\$ 278	\$ (355)	\$ -	\$ 77	\$ 40	\$ -	\$ 9,204
Air Canada aircraft	1,591	-	(119)	-	26	-	475	1,973
Regional aircraft	446	-	(22)	-	10	-	285	719
Land and buildings	435	-	(8)	-	-	-	11	438
Lease liabilities	2,472	-	(149)	-	36	-	771	3,130
Unamortized debt issuance costs and other adjustments	(60)	-	-	(4)	-	31	-	(33)
Total liabilities from financing activities	\$ 11,576	\$ 278	\$ (504)	\$ (4)	\$ 113	\$ 71	\$ 771	\$ 12,301

4. INCOME TAXES

Income Tax Recovery (Expense)

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

(Canadian dollars in millions)	Three months ended March 31	
	2026	2025
Current income tax (expense)	\$ (40)	\$ (13)
Deferred income tax recovery (expense)	(35)	78
Income tax recovery (expense)	\$ (75)	\$ 65

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 three months ended March 31, 2026 was 26.53% (26.49% for the three months ended March 31, 2025).

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

(Canadian dollars in millions)	Three months ended March 31	
	2026	2025
Remeasurements on net employee benefits		
- current income tax (expense)	\$ (1)	\$ -
- deferred income tax (expense)	(13)	(10)
Fuel derivatives designated as cash flow hedges		
- deferred income tax (expense)	(65)	-
Income tax (expense)	\$ (79)	\$ (10)

5. SHARE CAPITAL

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.

In the first quarter of 2026, Air Canada purchased for cancellation, 7,793,732 shares at an average cost of \$18.20 per share for aggregate consideration of \$142 million. The excess of the cost over the book value of \$82 million was charged to Retained earnings, together with \$3 million in share buyback tax. Including purchases made in the fourth quarter of 2025, Air Canada has purchased an aggregate of 9,572,556 shares for cancellation under its existing 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. 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.

6. EARNINGS (LOSS) PER SHARE

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

(in millions, except per share amounts)	Three months ended March 31	
	2026	2025
Numerator:		
Net income (loss) for the period	\$ 48	\$ (102)
Effect of assumed conversion of convertible notes	-	(36)
Remove anti-dilutive impact	-	-
Adjusted numerator for diluted earnings (loss) per share	\$ 48	\$ (138)
Denominator:		
Weighted-average shares	294	330
Effect of potential dilutive securities:		
Stock options	-	-
Convertible notes	-	18
Remove anti-dilutive impact	-	-
Adjusted denominator for diluted earnings (loss) per share	294	348
Basic earnings (loss) per share	\$ 0.16	\$ (0.31)
Diluted earnings (loss) per share	\$ 0.16	\$ (0.40)

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

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.

7. CAPITAL COMMITMENTS

Capital commitments consist of the future firm aircraft deliveries and commitments related to acquisition of other property and equipment. The estimated aggregate cost of aircraft is based on delivery prices that include estimated escalation. U.S. dollar amounts are converted using the March 31, 2026 closing rate of CDN\$1.39. 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	\$ 2,462	\$ 2,567	\$ 1,800	\$ 1,510	\$ 1,339	\$ 3,368	\$ 13,046

8. 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 on financial instruments recorded at fair value

(Canadian dollars in millions)	Three months ended March 31	
	2026	2025
Embedded derivative on convertible notes	\$ -	\$ 45
Short-term and long-term investments	3	9
Gain on financial instruments recorded at fair value	\$ 3	\$ 54

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 March 31, 2026, Air Canada had outstanding foreign currency options and swap agreements, settling in 2026 and 2027, to purchase at maturity \$7,753 million (US\$5,568 million) of U.S. dollars at a weighted average rate of \$1.3607 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 \$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 March 31, 2026 was \$11 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 first quarter of 2026, foreign exchange gain (loss) related to these derivatives was \$232 million gain (\$5 million gain in the first quarter of 2025). In the first quarter of 2026, foreign exchange derivative contracts cash settled with a net fair value of \$22 million in favour of the counterparties (\$58 million in the first quarter of 2025 in favour of Air Canada).

Fuel Price Risk Management

During the first quarter of 2026, jet fuel swap derivative contracts cash settled with a fair value of \$38 million in favour of Air Canada, with a hedging gain of \$38 million recorded in Aircraft fuel expense. No hedge ineffectiveness was recorded. There was no hedging activity in the three month period ended March 31, 2025.

As at March 31, 2026, jet fuel swap derivatives with a fair value of \$241 million in favour of Air Canada were outstanding, covering approximately 23% of the anticipated purchases of jet fuel for the second quarter of 2026 at an average jet fuel price of US\$0.51 per litre.

Financial Instrument Fair Values in the Consolidated Statement of Financial Position

The carrying amounts reported in the consolidated statement of financial position for short-term financial assets and liabilities, which includes Accounts receivable and Accounts payable and accrued liabilities, approximate fair values due to the immediate or short-term maturities of these financial instruments. Cash equivalents and short and long-term investments are classified as held for trading and therefore are recorded at fair value. Cash and cash equivalents include \$259 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 March 31, 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 \$9,204 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 three months ended March 31, 2026.

(Canadian dollars in millions)	Fair value measurements at reporting date using:			
	March 31, 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	\$ 227	-	227	\$ -
Short-term investments	2,635	-	2,635	-
Long-term investments	752	-	752	-
Equity investment in Chorus	50	50	-	-
Derivative instruments				
Foreign exchange derivatives	55	-	55	-
Fuel derivatives	241	-	241	-
Total	\$ 3,960	\$ 50	\$ 3,910	\$ -
Financial Liabilities				
Derivative instruments				
Foreign exchange derivatives	44	-	44	-
Total	\$ 44	\$ -	\$ 44	\$ -

Financial assets held by financial institutions in the form of cash and restricted cash have been excluded from the fair value measurement classification table above, as they are not valued using a valuation technique.

9. GEOGRAPHIC INFORMATION

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

Passenger Revenues (Canadian dollars in millions)	Three months ended March 31	
	2026	2025
Canada	\$ 1,218	\$ 1,122
U.S. Transborder	970	991
Atlantic	1,074	939
Pacific	714	631
Other	816	648
	\$ 4,792	\$ 4,331

Cargo Revenues (Canadian dollars in millions)	Three months ended March 31	
	2026	2025
Canada	\$ 39	\$ 26
U.S. Transborder	13	15
Atlantic	88	89
Pacific	75	76
Other	44	44
	\$ 259	\$ 250

Passenger and cargo revenues are based on the actual flown revenue for flights with an origin and destination in a specific country or region. Atlantic revenues refer to flights that cross the Atlantic Ocean with origins and destinations principally in Europe, India, the Middle East and North Africa. Pacific revenues refer to flights that cross the Pacific Ocean with origins and destinations principally in Asia and Australia. Other passenger and cargo revenues refer to flights with origins and destinations principally in Central and South America and the Caribbean and Mexico.

10. OTHER OPERATING EXPENSES

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

(Canadian dollars in millions)	Three months ended March 31	
	2026	2025
Terminal handling	\$ 145	\$ 135
Crew cycle	85	79
Building rent and maintenance	97	79
Miscellaneous fees and services	60	61
Remaining other expenses	263	253
Total other operating expenses	\$ 650	\$ 607

11. SALE AND LEASEBACK OF ASSETS

In the first quarter of 2026, Air Canada completed sale and leaseback transactions for total proceeds of \$283 million which resulted in the recognition of a gain on sale of \$46 million.

12. SUBSEQUENT EVENT

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 discussed above. 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 packages for senior unionized employees and non-executive employees based in Canada. The accounting impact will start being recognized in the second quarter financial statements and is not expected to have any material impact to Air Canada's shareholders' equity as the related expense will be offset by a gain in other comprehensive income.