



Third Quarter 2025

INTERIM UNAUDITED
Condensed Consolidated
Financial Statements and Notes



November 4, 2025



A STAR ALLIANCE MEMBER 

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited (Canadian dollars in millions)	September 30, 2025	December 31, 2024
ASSETS		
Current		
Cash and cash equivalents	\$ 3,890	\$ 2,518
Short-term investments	2,507	4,464
Total cash, cash equivalents and short-term investments	6,397	6,982
Accounts receivable	1,206	1,089
Aircraft fuel inventory	184	192
Spare parts and supplies inventory	244	199
Prepaid expenses and other current assets	341	600
Total current assets	8,372	9,062
Investments, deposits and other assets	863	1,080
Property and equipment	14,036	13,049
Pension assets	2,417	2,535
Deferred income tax	846	1,039
Intangible assets	1,216	1,170
Goodwill	3,273	3,273
Total assets	\$ 31,023	\$ 31,208
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 4,582	\$ 3,718
Advance ticket sales	4,791	4,387
Aeroplan and other deferred revenue	1,787	1,588
Current portion of long-term debt and lease liabilities	3,070	1,755
Total current liabilities	14,230	11,448
Long-term debt and lease liabilities	8,699	10,915
Aeroplan and other deferred revenue	2,811	2,952
Pension and other benefit liabilities	1,606	1,842
Maintenance provisions	1,270	1,431
Other long-term liabilities	153	159
Deferred income tax	73	73
Total liabilities	\$ 28,842	\$ 28,820
SHAREHOLDERS' EQUITY		
Share capital	2,286	2,612
Contributed surplus	163	149
Accumulated other comprehensive loss	(46)	(48)
Deficit	(222)	(325)
Total shareholders' equity	2,181	2,388
Total liabilities and shareholders' equity	\$ 31,023	\$ 31,208

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

CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited (Canadian dollars in millions except per share figures)	Three months ended September 30		Nine months ended September 30		
	2025	2024	2025	2024	
Operating revenues					
Passenger	Note 10	\$ 5,244	\$ 5,601	\$ 14,606	\$ 15,034
Cargo	Note 10	239	253	742	698
Other		291	252	1,254	1,119
Total revenues		5,774	6,106	16,602	16,851
Operating expenses					
Aircraft fuel		1,212	1,377	3,546	3,964
Wages, salaries and benefits	Note 3	1,364	1,021	3,750	3,200
Depreciation, amortization and impairment		504	449	1,490	1,339
Airport and navigation fees		433	410	1,197	1,130
Aircraft maintenance		332	226	1,006	876
Sales and distribution costs		274	290	814	825
Capacity purchase fees		216	219	655	644
Ground package costs		103	102	633	574
Communications and information technology		157	156	500	487
Catering and onboard services		178	174	488	483
Other	Note 11	717	642	1,929	1,812
Total operating expenses		5,490	5,066	16,008	15,334
Operating income		284	1,040	594	1,517
Non-operating income (expense)					
Foreign exchange gain (loss)		343	(85)	142	(28)
Interest income		40	114	174	336
Interest expense	Note 4	(162)	(180)	(508)	(579)
Interest capitalized		10	9	36	24
Financial instruments recorded at fair value	Note 9	16	26	76	66
Loss on debt settlements	Note 4	—	—	—	(46)
Other		(20)	(27)	(67)	(54)
Total non-operating income (expense)		227	(143)	(147)	(281)
Income before income taxes		511	897	447	1,236
Income tax recovery (expense)	Note 5	(247)	1,138	(99)	1,128
Net income for the period		\$ 264	\$ 2,035	\$ 348	\$ 2,364
Net income per share	Note 7				
Basic earnings per share		\$ 0.89	\$ 5.68	\$ 1.10	\$ 6.60
Diluted earnings per share		\$ 0.88	\$ 5.38	\$ 0.90	\$ 6.25

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited (Canadian dollars in millions)	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Comprehensive income (loss)				
Net income for the period	\$ 264	\$ 2,035	\$ 348	\$ 2,364
Other comprehensive income (loss), net of tax: Note 5				
Items that will not be reclassified to net income				
Remeasurements on net employee benefits	141	(130)	261	(98)
Remeasurements on equity investments	1	7	2	5
Items that will be reclassified to net income				
Fuel derivatives designated as cash flow hedges	(16)	(29)	–	(29)
Total comprehensive income	\$ 390	\$ 1,883	\$ 611	\$ 2,242

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited (Canadian dollars in millions)	Share capital	Contributed surplus	Hedging reserve	Accumulated OCI	Retained earnings (deficit)	Total shareholders' equity (deficiency)
January 1, 2024	\$ 2,744	\$ 133	–	\$ (57)	\$ (2,024)	\$ 796
Net income	–	–	–	–	2,364	2,364
Remeasurements on net employee benefits	–	–	–	–	(98)	(98)
Remeasurements on equity investments	–	–	–	5	–	5
Fuel derivatives designated as cash flow hedges	–	–	(29)	–	–	(29)
Total comprehensive income (loss)	–	–	(29)	5	2,266	2,242
Share-based compensation	–	13	–	–	–	13
Deferred income tax recognition (Note 5)	22	–	–	–	19	41
September 30, 2024	\$ 2,766	\$ 146	(29)	\$ (52)	\$ 261	\$ 3,092
January 1, 2025	\$ 2,612	\$ 149	–	\$ (48)	\$ (325)	\$ 2,388
Net income	–	–	–	–	348	348
Remeasurements on net employee benefits	–	–	–	–	261	261
Remeasurements on equity investments	–	–	–	2	–	2
Total comprehensive income	–	–	–	2	609	611
Share-based compensation	–	14	–	–	–	14
Shares issued	1	–	–	–	–	1
Shares purchased and cancelled under issuer bid (Note 6)	(327)	–	–	–	(506)	(833)
September 30, 2025	\$ 2,286	\$ 163	–	\$ (46)	\$ (222)	\$ 2,181

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

CONSOLIDATED STATEMENTS OF CASH FLOW

Unaudited (Canadian dollars in millions)	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Cash flows from (used in)				
Operating				
Net income for the period	\$ 264	\$ 2,035	\$ 348	\$ 2,364
Adjustments to reconcile to net cash from operations				
Deferred income tax	Note 5	245	(1,158)	98
Depreciation, amortization and impairment		504	449	1,490
Foreign exchange loss (gain)		(310)	143	(94)
Employee benefit funding less than expense		180	20	242
Financial instruments recorded at fair value	Note 9	(16)	(26)	(76)
Loss on debt settlements	Note 4	-	-	-
Change in maintenance provisions		(3)	62	100
Changes in non-cash working capital balances		(44)	(774)	1,137
Other		(7)	(14)	(11)
Net cash flows from operating activities		813	737	3,234
Financing				
Proceeds from borrowings	Note 4	231	-	231
Repayments of long-term debt and lease liabilities	Note 4	(589)	(217)	(1,470)
Shares purchased for cancellation	Note 6	-	-	(827)
Issue of shares		1	-	1
Financing fees	Note 4	-	-	-
Net cash flows used in financing activities		(357)	(217)	(2,065)
Investing				
Short-term investments, net		570	(49)	1,665
Disposals of long-term investments		249	483	980
Purchase of long-term investments		(157)	(121)	(493)
Additions to property, equipment and intangible assets		(602)	(455)	(2,009)
Other		40	2	61
Net cash flows from (used in) investing activities		100	(140)	204
Effect of exchange rate changes on cash and cash equivalents		(2)	(8)	(1)
Increase in cash and cash equivalents		554	372	1,372
Cash and cash equivalents, beginning of period		3,336	3,021	2,518
Cash and cash equivalents, end of period		\$ 3,890	\$ 3,393	\$ 3,890
Cash payments of interest	Note 4	\$ 196	\$ 205	\$ 500
Cash payments (recovery) of income taxes		\$ (15)	\$ (40)	\$ 44

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

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

1. GENERAL INFORMATION

The accompanying unaudited interim condensed consolidated financial statements (the “financial statements”) are of Air Canada. Air Canada refers 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 nine months ended September 30, 2025 are not necessarily indicative of financial results for the entire year.

Labour disruption impacts

During the third quarter of 2025, the Canadian Union of Public Employees (CUPE), the union representing Air Canada's flight attendants, gave notice of its intent to strike. Accordingly, Air Canada acted on its contingency plans and cancelled over 3,200 flights in August 2025.

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, 2024. In management's opinion, the financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim period presented.

These financial statements were approved for issue by the Board of Directors of Air Canada on November 4, 2025.

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

3. WAGES, SALARIES AND BENEFITS

Labour related items

In August 2025, Air Canada reached a mutually agreed upon tentative four-year collective agreement with CUPE, the union representing its flight attendants, which was not ratified. Air Canada and CUPE had contemplated the possibility that the agreement might not be ratified and determined the wage portion of the tentative agreement would go to mediation and, if a deal still could not be reached, to binding arbitration. All other items, such as ground pay, improvements to benefits, pensions and scheduling rules, were concluded to be implemented without the need for mediation or arbitration, in accordance with the terms of the agreement. On September 12, 2025, CUPE asked to dispense with the mediation process and proceed directly to binding arbitration for the wage portion, to which Air Canada consented. Any change in wages that is determined during arbitration will be retroactive to April 1, 2025.

In this regard, Air Canada recorded a one-time pension past service cost of \$149 million in the third quarter of 2025 to reflect pension changes included in the tentative agreement as they are now in effect. Some of these changes are conditional on future pension solvency financial positions. Changes in assumptions associated with these conditional increases will be recognized in other comprehensive income as actuarial gains and losses. The net impact of these changes will be funded out of the surplus in the flight attendants' domestic registered pension plan and are not expected to impact Air Canada's liquidity position.

In addition, other labour related charges of \$24 million were recorded by Air Canada in the third quarter of 2025.

4. LONG-TERM DEBT AND LEASE LIABILITIES

	Final Maturity	Weighted Average Interest Rate (%)	September 30, 2025 (Canadian dollars in millions)	December 31, 2024 (Canadian dollars in millions)
Aircraft financing				
Fixed rate U.S. dollar financing	2025 – 2030	5.33	\$ 2,257	\$ 2,930
Floating rate U.S. dollar financing	2027	6.41	206	263
Fixed rate CDN dollar financing	2026 – 2030	3.78	139	147
Floating rate CDN dollar financing (a)	2036 – 2037	4.17	231	-
Fixed rate Japanese yen financing	2027	1.84	111	107
Convertible notes (b)	2025	4.00	-	381
Credit facility – CDN dollar	2028	1.21	1,161	1,131
Senior secured notes – CDN dollar	2029	4.63	2,000	2,000
Senior secured notes – U.S. dollar	2026	3.88	1,670	1,726
Senior secured credit facility – U.S. dollar	2031	6.17	1,579	1,641
Long-term debt		4.48	9,354	10,326
Lease liabilities				
Air Canada aircraft	2025 – 2037	5.78	1,554	1,381
Regional aircraft	2025 – 2035	5.27	489	619
Land and buildings	2025 – 2078	5.31	439	433
Lease liabilities		5.60	2,482	2,433
Total debt and lease liabilities excluding unamortized debt issuance costs and discounts		4.71	11,836	12,759
Unamortized debt issuance costs and discounts			(67)	(89)
Total debt and lease liabilities			11,769	12,670
Current portion – Long-term debt			(2,525)	(1,163)
Current portion – Air Canada aircraft			(438)	(411)
Current portion – Regional aircraft			(77)	(153)
Current portion – Land and buildings			(30)	(28)
Total current portion			(3,070)	(1,755)
Long-term debt and lease liabilities			\$ 8,699	\$ 10,915

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

(a) In October 2024, Air Canada received a loan commitment from Export Development Canada of up to US\$975 million to finance a portion of the purchase price of up to 27 Airbus A220-300 aircraft, which are expected to be delivered no later than October 2027. In September 2025, Air Canada drew down \$231 million under this facility for 5 A220 aircraft which had been previously delivered. Loans for each aircraft have a final maturity date of 12 years after delivery. Interest rates are floating and are term CORRA plus a margin of 1.73%.

(b) The convertible notes were settled with cash following their maturity on July 1, 2025. Air Canada's option to deliver cash or a combination of cash and shares on the conversion date in lieu of shares (based on the daily conversion values for 40 consecutive trading days) gave rise to an embedded derivative financial liability measured separately at fair value through profit or loss. At maturity, the fair value of the embedded derivative was nil (December 31, 2024 - \$45 million) and Air Canada recorded a gain of \$45 million for the nine months ended September 30, 2025.

In March 2024, Air Canada entered into US\$2.15 billion senior secured credit facilities, comprised of a US\$1.175 billion term loan B maturing in 2031 and a US\$975 million revolving credit facility maturing in 2029. The aggregate gross proceeds of the new term loan, together with cash from Air Canada's balance sheet of US\$1.09 billion, were applied to refinance all of Air Canada's indebtedness outstanding under its previous US\$2.265 billion term loan B maturing in 2028. Air Canada recorded a loss of \$46 million on debt settlements related to the write-off of unamortized debt issuance costs associated with the extinguished debt instruments in the first quarter of 2024.

Air Canada's US\$975 million revolving credit facility maturing in 2029 is undrawn as of September 30, 2025.

Air Canada has recorded Interest expense as follows:

(Canadian dollars in millions)	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Interest on debt	\$ 126	\$ 144	\$ 401	\$ 473
Interest on lease liabilities				
Air Canada aircraft	22	21	67	60
Regional aircraft	8	9	23	28
Land and buildings	6	6	17	18
Interest expense	\$ 162	\$ 180	\$ 508	\$ 579

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 September 30		Nine months ended September 30	
	2025	2024	2025	2024
Short-term leases	\$ 2	\$ 5	\$ 8	\$ 13
Variable lease payments not included in lease liabilities	14	17	49	48
Expense related to leases (included in Other operating expenses)	\$ 16	\$ 22	\$ 57	\$ 61

Total cash outflows for payments on lease liabilities was \$170 million for the three months ended September 30, 2025 (\$555 million for the nine months ended September 30, 2025; \$171 million and \$503 million respectively for the three- and nine-month periods ended September 30, 2024), of which \$134 million was for principal repayments (\$448 million for the nine months ended September 30, 2025; \$135 million and \$397 million for the three and nine-month periods ended September 30, 2024).

Maturity Analysis

Principal and interest repayment requirements as at September 30, 2025 on Long-term debt and lease liabilities are as follows. U.S. dollar amounts are converted using the September 30, 2025 closing rate of CDN\$1.392.

Principal (Canadian dollars in millions)	Remainder of 2025	2026	2027	2028	2029	Thereafter	Total
Long-term debt obligations ⁽¹⁾	\$ 115	2,464	1,089	1,391	2,317	2,122	9,498
Air Canada aircraft	105	456	281	216	129	367	1,554
Regional aircraft	39	52	42	41	40	275	489
Land and buildings	8	30	31	30	23	317	439
Lease liabilities	\$ 152	538	354	287	192	959	2,482
Total long-term debt and lease liabilities	\$ 267	3,002	1,443	1,678	2,509	3,081	11,980

Interest (Canadian dollars in millions)	Remainder of 2025	2026	2027	2028	2029	Thereafter	Total
Long-term debt obligations ⁽¹⁾	\$ 57	394	296	234	218	152	1,351
Air Canada aircraft	23	76	54	40	27	69	289
Regional aircraft	6	21	19	17	15	43	121
Land and buildings	6	21	20	18	17	204	286
Lease liabilities	\$ 35	118	93	75	59	316	696
Total long-term debt and lease liabilities	\$ 92	512	389	309	277	468	2,047

⁽¹⁾ The full principal balance of \$1,273 million for the unsecured credit facility due in 2028 and \$1,611 million (US\$1,157 million) for the term loan B maturing in 2031 is included.

Principal repayments in the table above exclude discounts and transaction costs of \$67 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			Sept. 30, 2025
	June 30, 2025	Borrowings	Repayments	Financing fees	Foreign exchange adjustments	Amortization of financing fees and other adjustments	New lease liabilities (new and modified contracts)	
Long-term debt	\$ 9,436	\$ 231	\$ (455)	\$ -	\$ 129	\$ 13	\$ -	\$ 9,354
Air Canada aircraft	1,474	-	(91)	-	33	-	138	1,554
Regional aircraft	513	-	(35)	-	11	-	-	489
Land and buildings	444	-	(8)	-	1	-	2	439
Lease liabilities	2,431	-	(134)	-	45	-	140	2,482
Unamortized debt issuance costs	(73)	-	-	-	-	6	-	(67)
Total liabilities from financing activities	\$ 11,794	\$ 231	\$ (589)	\$ -	\$ 174	\$ 19	\$ 140	\$ 11,769

(Canadian dollars in millions)	Cash Flows				Non-Cash Changes			Sept. 30, 2025
	Jan. 1, 2025	Borrowings	Repayments	Financing fees	Foreign exchange adjustments	Amortization of financing fees and other adjustments	New lease liabilities (new and modified contracts)	
Long-term debt	\$ 10,326	\$ 231	\$ (1,022)	\$ -	\$ (228)	\$ 47	\$ -	\$ 9,354
Air Canada aircraft	1,381	-	(313)	-	(52)	-	538	1,554
Regional aircraft	619	-	(112)	-	(19)	-	1	489
Land and buildings	433	-	(23)	-	1	-	28	439
Lease liabilities	2,433	-	(448)	-	(70)	-	567	2,482
Unamortized debt issuance costs	(89)	-	-	-	-	22	-	(67)
Total liabilities from financing activities	\$ 12,670	\$ 231	\$ (1,470)	\$ -	\$ (298)	\$ 69	\$ 567	\$ 11,769

5. 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 September 30		Nine months ended September 30	
	2025	2024	2025	2024
Current income tax recovery (expense)	\$ (2)	\$ (20)	\$ (1)	\$ (24)
Deferred income tax recovery (expense)	(245)	1,158	(98)	1,152
Income tax recovery (expense)	\$ (247)	\$ 1,138	\$ (99)	\$ 1,128

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

Air Canada's statutory tax rate for the nine months ended September 30, 2025 was 26.53% (26.49% for the nine months ended September 30, 2024).

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

(Canadian dollars in millions)	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Remeasurements on net employee benefits				
- current income tax (expense)	\$ (2)	\$ -	\$ (4)	\$ (1)
- deferred income tax (expense)	(53)	(149)	(95)	(143)
Fuel derivatives designated as cash flow hedges				
- deferred income tax recovery	6	10	-	10
Income tax (expense)	\$ (49)	\$ (139)	\$ (99)	\$ (134)

Income tax recorded in shareholders' equity is presented below.

(Canadian dollars in millions)	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Share based compensation				
- deferred income tax recovery	\$ -	\$ 19	\$ -	\$ 19
Share issue cost				
- deferred income tax recovery	-	22	-	22
Income tax recovery	\$ -	\$ 41	\$ -	\$ 41

Recognition of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable income will be available to realize them. In making this assessment, consideration is given to available positive and negative evidence and relevant assumptions, including, among other aspects, historical financial results and expectations relating to future taxable income, the overall business environment, and industry-wide trends.

In this regard and in connection with the preparation of the financial statements for the period ended September 30, 2024, Air Canada determined that it was probable that substantially all of the deferred income tax assets would be realized. Accordingly, previously unrecognized deferred income tax assets of \$1,056 million were recognized in the third quarter of 2024, which resulted in a tax recovery recorded in the consolidated statement of operations of \$1,154 million, tax expense recorded in the consolidated statement of comprehensive income of \$139 million related to remeasurements on net employee benefit liabilities and tax recovery recorded in the consolidated statement of changes in equity of \$41 million.

6. SHARE CAPITAL

Normal Course Issuers Bid

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

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

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

In the fourth quarter of 2025, Air Canada received approval from the 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.

Substantial Issuer Bid

On May 8, 2025, Air Canada announced a substantial issuer bid (the “Offer”) pursuant to which Air Canada offered to purchase for cancellation up to \$500 million of its shares.

The Offer was made by way of a modified “Dutch auction” under which shareholders wishing to tender could do so through (i) an auction tender at a price not less than \$18.50 per Share and not more than \$21.00 per Share or (ii) a purchase price tender at the purchase price to be determined by the auction tenders.

A total of about 26.8 million shares were validly deposited in the Offer and not withdrawn pursuant to auction tenders at or below \$18.80 or purchase price tenders. As the Offer was oversubscribed, about 99.14% of the successfully tendered shares were taken up by Air Canada, in addition to “odd lot” tenders not subject to proration. On June 25, 2025, Air Canada purchased, for cancellation, 26,595,744 shares for \$18.80 per Share for aggregate consideration of \$500 million. The excess of the cost over the book value of \$294 million was charged to Deficit, together with \$10 million in share buyback tax.

The issued and outstanding shares of Air Canada as of the dates below were as follows:

	September 30, 2025	December 31, 2024
Issued and outstanding		
Class A variable voting shares	59,328,302	102,314,033
Class B voting shares	236,874,559	237,525,089
Total issued and outstanding shares	296,202,861	339,839,122

7. EARNINGS PER SHARE

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

(in millions, except per share amounts)	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Numerator:				
Net income for the period:	\$ 264	\$ 2,035	\$ 348	\$ 2,364
Effect of assumed conversion of convertible notes	(1)	(11)	(50)	(12)
Adjusted numerator for diluted earnings per share:	263	2,024	298	2,352
Denominator:				
Weighted-average shares	296	358	316	358
Effect of potential dilutive securities:				
Stock options	1	-	-	-
Convertible notes	-	18	12	18
Adjusted denominator for diluted earnings per share	297	376	328	376
Basic earnings per share	\$ 0.89	\$ 5.68	\$ 1.10	\$ 6.60
Diluted earnings per share	\$ 0.88	\$ 5.38	\$ 0.90	\$ 6.25

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

As described in Note 4 the convertible notes were settled with cash following their maturity on July 1, 2025. The conversion rate of the convertible notes was 65.1337 shares per US\$1,000 principal amount of convertible notes and is no longer a consideration in computing the dilutive earnings per share, except as part of the year-to-date calculation for the period to July 1, 2025.

8. CAPITAL COMMITMENTS

Capital commitments consist of the future firm aircraft deliveries and commitments related to acquisition of other property and equipment. The estimated aggregate cost of aircraft is based on delivery prices that include estimated escalation. U.S. dollar amounts are converted using the September 30, 2025 closing rate of CDN\$1.392. Minimum future commitments under these contractual arrangements are shown below.

In November 2025, the total number of Boeing 787-10 aircraft was reduced from 18 aircraft to 14, of which 10 are scheduled to be delivered by 2028 and the remainder of 4 by 2030. The capital commitments table below has been updated to reflect this change.

(Canadian dollars in millions)	Remainder of 2025	2026	2027	2028	2029	Thereafter	Total
Capital commitments	\$ 526	2,697	2,368	1,460	1,130	2,170	10,351

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Refer also to Note 16 to the 2024 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 September 30		Nine months ended September 30	
	2025	2024	2025	2024
Embedded derivative on convertible notes	\$ –	\$ 13	\$ 45	\$ 46
Short-term and long-term investments	16	13	31	20
Gain on financial instruments recorded at fair value	\$ 16	\$ 26	\$ 76	\$ 66

Foreign Exchange Risk Management

As at September 30, 2025, Air Canada had outstanding foreign currency options and swap agreements, settling in 2025, 2026 and 2027, to purchase at maturity \$10,490 million (US\$7,538 million) of U.S. dollars at a weighted average rate of \$1.3653 per \$1.00 U.S. dollar (as at December 31, 2024 – \$9,812 million (US\$6,847 million) with settlements in 2025 and 2026 at a weighted average rate of \$1.3457 per \$1.00 U.S. dollar).

The hedging structures put in place have various option pricing features, such as knock-out terms and profit cap limitations, and based on the assumed volatility used in the fair value calculation, the net fair value of these foreign currency contracts as at September 30, 2025 was \$210 million in favour of the counterparties (as at December 31, 2024 – \$22 million in favour of Air Canada). These derivative instruments have not been designated as hedges for accounting purposes and are recorded at fair value. During the third quarter of 2025, foreign exchange gain (loss) related to these derivatives was \$539 million gain (\$182 million loss for the nine month period ended September 30, 2025; \$171 million loss and \$218 million gain respectively for the three- and nine-month periods ended September 30, 2024). In the third quarter of 2025, foreign exchange derivative contracts cash settled with a net fair value of \$11 million in favour of the counterparties (\$48 million in favour of Air Canada for the nine month period ended September 30, 2025; \$60 million in favour of Air Canada and \$192 million in favour of Air Canada respectively for the three- and nine-month periods ended September 30, 2024).

Fuel Price Risk Management

During the third quarter of 2025, jet fuel swap derivative contracts cash settled with a fair value of \$29 million in favour of Air Canada, with a hedging gain of \$29 million recorded in Aircraft fuel expense (\$48 million hedging gain for the nine months ended September 30, 2025; hedging loss of \$8 million and \$33 million for the three- and nine-month periods ended September 30, 2024).

As at September 30, 2025, there are no outstanding fuel derivative contracts. In October 2025, Air Canada hedged approximately 22% of the anticipated purchases of jet fuel for the fourth quarter of 2025 at an average jet fuel price of US\$0.52 per litre. Air Canada's contracts to hedge anticipated jet fuel purchases are composed of jet fuel swaps.

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 \$278 million related to funds held in trust by Air Canada Vacations in accordance with regulatory requirements governing advance sales for tour operators (\$346 million at December 31, 2024).

The carrying amounts of derivatives are equal to their fair value, which is based on the amount at which they could be settled based on estimated market rates as at September 30, 2025.

Management estimated the fair value of its long-term debt based on valuation techniques including discounted cash flows, taking into account market information and traded values where available, market rates of interest, the condition of any related collateral, the current conditions in credit markets and the current estimated credit margins applicable to Air Canada based on recent transactions. Based on significant unobservable inputs (Level 3 in the fair value hierarchy), the estimated fair value of debt is \$9,314 million compared to its carrying value of \$9,354 million.

The following is a classification of fair value measurements recognized in the consolidated statement of financial position using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. There are no changes in classifications or methods of measuring fair value from those disclosed in Note 16 to the 2024 annual consolidated financial statements. There were no transfers within the fair value hierarchy during the nine months ended September 30, 2025.

(Canadian dollars in millions)	September 30, 2025	Fair value measurements at reporting date using:		
		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	\$ 112	\$ –	\$ 112	\$ –
Short-term investments	2,507	–	2,507	–
Long-term investments	542	–	542	–
Equity investment in Chorus	50	50	–	–
Derivative instruments				
Foreign exchange derivatives	21	–	21	–
Total	\$ 3,232	\$ 50	\$ 3,182	\$ –
Financial Liabilities				
Derivative instruments				
Foreign exchange derivatives	231	–	231	–
Total	\$ 231	\$ –	\$ 231	\$ –

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

10. 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 September 30		Nine months ended September 30	
	2025	2024	2025	2024
Canada	\$ 1,426	\$ 1,493	\$ 3,927	\$ 3,950
U.S. Transborder	904	1,097	2,856	3,216
Atlantic	1,955	1,953	4,538	4,491
Pacific	684	774	2,017	2,146
Other	275	284	1,268	1,231
	\$ 5,244	\$ 5,601	\$ 14,606	\$ 15,034

Cargo Revenues (Canadian dollars in millions)	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Canada	\$ 29	\$ 28	\$ 82	\$ 76
U.S. Transborder	13	15	42	41
Atlantic	85	92	263	265
Pacific	77	86	238	219
Other	35	32	117	97
	\$ 239	\$ 253	\$ 742	\$ 698

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.

11. OTHER OPERATING EXPENSES

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

(Canadian dollars in millions)	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Terminal handling	\$ 151	\$ 147	\$ 431	\$ 411
Crew cycle	106	83	271	225
Building rent and maintenance	81	80	236	241
Miscellaneous fees and services	62	66	201	176
Remaining other expenses	317	266	790	759
	\$ 717	\$ 642	\$ 1,929	\$ 1,812

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.