



Second Quarter 2025

INTERIM UNAUDITED
Condensed Consolidated
Financial Statements and Notes



July 28, 2025

 **AIR CANADA**

A STAR ALLIANCE MEMBER 

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited (Canadian dollars in millions)	June 30, 2025	December 31, 2024
ASSETS		
Current		
Cash and cash equivalents	\$ 3,336	\$ 2,518
Short-term investments	3,023	4,464
Total cash, cash equivalents and short-term investments	6,359	6,982
Accounts receivable	1,170	1,089
Aircraft fuel inventory	148	192
Spare parts and supplies inventory	237	199
Prepaid expenses and other current assets	375	600
Total current assets	8,289	9,062
Investments, deposits and other assets	985	1,080
Property and equipment	13,817	13,049
Pension assets	2,439	2,535
Deferred income tax	1,138	1,039
Intangible assets	1,206	1,170
Goodwill	3,273	3,273
Total assets	\$ 31,147	\$ 31,208
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 4,469	\$ 3,718
Advance ticket sales	5,447	4,387
Aeroplan and other deferred revenue	1,683	1,588
Current portion of long-term debt and lease liabilities	Note 3 1,547	1,755
Total current liabilities	13,146	11,448
Long-term debt and lease liabilities	Note 3 10,247	10,915
Aeroplan and other deferred revenue	2,868	2,952
Pension and other benefit liabilities	1,642	1,842
Maintenance provisions	1,237	1,431
Other long-term liabilities	147	159
Deferred income tax	73	73
Total liabilities	\$ 29,360	\$ 28,820
SHAREHOLDERS' EQUITY		
Share capital	2,285	2,612
Contributed surplus	160	149
Hedging reserve	16	–
Accumulated other comprehensive loss	(47)	(48)
Deficit	(627)	(325)
Total shareholders' equity	1,787	2,388
Total liabilities and shareholders' equity	\$ 31,147	\$ 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 June 30		Six months ended June 30		
	2025	2024	2025	2024	
Operating revenues					
Passenger	Note 9	\$ 5,031	\$ 4,990	\$ 9,362	\$ 9,433
Cargo	Note 9	253	230	503	445
Other		348	299	963	867
Total revenues		5,632	5,519	10,828	10,745
Operating expenses					
Aircraft fuel		1,148	1,333	2,334	2,587
Wages, salaries and benefits		1,247	1,071	2,386	2,179
Depreciation, amortization and impairment		491	448	986	890
Airport and navigation fees		407	372	764	720
Aircraft maintenance		341	335	674	650
Sales and distribution costs		275	269	540	535
Capacity purchase fees		219	217	439	425
Ground package costs		157	137	530	472
Communications and information technology		151	145	343	331
Catering and onboard services		173	154	310	309
Other	Note 10	605	572	1,212	1,170
Total operating expenses		5,214	5,053	10,518	10,268
Operating income		418	466	310	477
Non-operating income (expense)					
Foreign exchange gain (loss)		(190)	(2)	(201)	57
Interest income		59	97	134	222
Interest expense	Note 3	(168)	(182)	(346)	(399)
Interest capitalized		13	8	26	15
Financial instruments recorded at fair value	Note 8	6	29	60	40
Loss on debt settlements	Note 3	-	-	-	(46)
Other		(35)	(12)	(47)	(27)
Total non-operating expense		(315)	(62)	(374)	(138)
Income (loss) before income taxes		103	404	(64)	339
Income tax recovery (expense)	Note 4	83	6	148	(10)
Net income for the period		\$ 186	\$ 410	\$ 84	\$ 329
Net income per share	Note 6				
Basic earnings per share		\$ 0.58	\$ 1.14	\$ 0.26	\$ 0.92
Diluted earnings per share		\$ 0.51	\$ 1.04	\$ 0.10	\$ 0.87

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 June 30		Six months ended June 30	
	2025	2024	2025	2024
Comprehensive income (loss)				
Net income for the period	\$ 186	\$ 410	\$ 84	\$ 329
Other comprehensive income (loss), net of tax: Note 4				
Items that will not be reclassified to net income				
Remeasurements on net employee benefits	94	40	120	32
Remeasurements on equity investments	7	6	1	(2)
Items that will be reclassified to net income				
Fuel derivatives designated as cash flow hedges	16	-	16	-
Total comprehensive income	\$ 303	\$ 456	\$ 221	\$ 359

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited (Canadian dollars in millions)	Share capital	Contributed surplus	Hedging reserve	Accumulated Other comprehensive loss	Deficit	Total shareholders' equity
January 1, 2024	\$ 2,744	\$ 133	-	\$ (57)	\$ (2,024)	\$ 796
Net income	-	-	-	-	329	329
Remeasurements on net employee benefits	-	-	-	-	32	32
Remeasurements on equity investments	-	-	-	(2)	-	(2)
Total comprehensive income (loss)	-	-	-	(2)	361	359
Share-based compensation	-	10	-	-	-	10
June 30, 2024	\$ 2,744	\$ 143	-	\$ (59)	\$ (1,663)	\$ 1,165
January 1, 2025	\$ 2,612	\$ 149	-	\$ (48)	\$ (325)	\$ 2,388
Net income	-	-	-	-	84	84
Remeasurements on net employee benefits	-	-	-	-	120	120
Remeasurements on equity investments	-	-	-	1	-	1
Fuel derivatives designated as cash flow hedges	-	-	16	-	-	16
Total comprehensive income	-	-	16	1	204	221
Share-based compensation	-	11	-	-	-	11
Shares purchased and cancelled under issuer bid (Note 5)	(327)	-	-	-	(506)	(833)
June 30, 2025	\$ 2,285	\$ 160	16	\$ (47)	\$ (627)	\$ 1,787

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 June 30		Six months ended June 30		
	2025	2024	2025	2024	
Cash flows from (used in)					
Operating					
Net income for the period	\$ 186	\$ 410	\$ 84	\$ 329	
Adjustments to reconcile to net cash from operations					
Deferred income tax	Note 4	(69)	(5)	(147)	6
Depreciation, amortization and impairment		491	448	986	890
Foreign exchange loss		170	65	216	64
Employee benefit funding less than expense		35	14	62	36
Financial instruments recorded at fair value	Note 8	(6)	(29)	(60)	(40)
Loss on debt settlements	Note 3	-	-	-	46
Change in maintenance provisions		41	61	103	106
Changes in non-cash working capital balances		14	(67)	1,181	1,063
Other		33	27	(4)	16
Net cash flows from operating activities	895	924	2,421	2,516	
Financing					
Proceeds from borrowings	Note 3	-	-	-	1,590
Reduction of long-term debt and lease liabilities	Note 3	(647)	(234)	(881)	(3,499)
Shares purchased for cancellation	Note 5	(500)	-	(827)	-
Financing fees	Note 3	-	(1)	-	(31)
Net cash flows used in financing activities	(1,147)	(235)	(1,708)	(1,940)	
Investing					
Short-term investments, net		564	(78)	1,095	299
Disposals of long-term investments		414	579	731	1,138
Purchases of long-term investments		(26)	(404)	(336)	(797)
Additions to property, equipment and intangible assets		(712)	(473)	(1,407)	(1,009)
Other		1	(9)	21	(9)
Net cash flows from (used in) investing activities	241	(385)	104	(378)	
Effect of exchange rate changes on cash and cash equivalents	(14)	1	1	6	
Increase (decrease) in cash and cash equivalents	(25)	305	818	204	
Cash and cash equivalents, beginning of period	3,361	2,716	2,518	2,817	
Cash and cash equivalents, end of period	\$ 3,336	\$ 3,021	\$ 3,336	\$ 3,021	
Cash payments of interest	Note 3	\$ 104	\$ 111	\$ 304	\$ 382
Cash payments of income taxes		\$ 13	\$ 1	\$ 59	\$ 2

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 six months ended June 30, 2025 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, 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 July 28, 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. LONG-TERM DEBT AND LEASE LIABILITIES

	Final Maturity	Weighted Average Interest Rate (%)	June 30, 2025 (Canadian dollars in millions)	December 31, 2024 (Canadian dollars in millions)
Aircraft financing				
Fixed rate U.S. dollar financing	2025 – 2030	5.28	\$ 2,265	\$ 2,930
Floating rate U.S. dollar financing	2027	6.67	220	263
Fixed rate CDN dollar financing	2026 – 2030	3.78	139	147
Fixed rate Japanese yen financing	2027	1.84	111	107
Convertible notes	2025	4.00	371	381
Credit facility – CDN dollar	2028	1.21	1,151	1,131
Senior secured notes – CDN dollar	2029	4.63	2,000	2,000
Senior secured notes – U.S. dollar	2026	3.88	1,633	1,726
Senior secured credit facility – U.S. dollar	2031	6.32	1,546	1,641
Long-term debt		4.49	9,436	10,326
Lease liabilities				
Air Canada aircraft	2025 – 2037	5.75	1,474	1,381
Regional aircraft	2025 – 2035	5.36	513	619
Land and buildings	2025 – 2078	5.31	444	433
Lease liabilities		5.59	2,431	2,433
Total debt and lease liabilities excluding unamortized debt issuance costs and discounts		4.72	11,867	12,759
Unamortized debt issuance costs and discounts			(73)	(89)
Total debt and lease liabilities			11,794	12,670
Current portion – Long-term debt			(1,066)	(1,163)
Current portion – Air Canada aircraft			(352)	(411)
Current portion – Regional aircraft			(99)	(153)
Current portion – Land and buildings			(30)	(28)
Total current portion			(1,547)	(1,755)
Long-term debt and lease liabilities			\$ 10,247	\$ 10,915

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

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 June 30, 2025, 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 six months ended June 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 June 30, 2025.

Air Canada has recorded Interest expense as follows:

(Canadian dollars in millions)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Interest on debt	\$ 133	\$ 148	\$ 275	\$ 329
Interest on lease liabilities				
Air Canada aircraft	15	19	45	39
Regional aircraft	10	9	15	19
Land and buildings	10	6	11	12
Interest expense	\$ 168	\$ 182	\$ 346	\$ 399

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 June 30		Six months ended June 30	
	2025	2024	2025	2024
Short-term leases	\$ 3	\$ 4	\$ 6	\$ 8
Variable lease payments not included in lease liabilities	17	15	35	31
Expense related to leases (included in Other operating expenses)	\$ 20	\$ 19	\$ 41	\$ 39

Total cash outflows for payments on lease liabilities was \$200 million for the three months ended June 30, 2025 (\$385 million for the six months ended June 30, 2025; \$170 million and \$332 million respectively for the three- and six-month periods ended June 30, 2024), of which \$165 million was for principal repayments (\$314 million for the six months ended June 30, 2025; \$136 million and \$262 million for the three- and six-month periods ended June 30, 2024).

Maturity Analysis

Principal and interest repayment requirements as at June 30, 2025 on Long-term debt and lease liabilities are as follows. U.S. dollar amounts are converted using the June 30, 2025 closing rate of CDN\$1.3608.

Principal (Canadian dollars in millions)	Remainder of 2025	2026	2027	2028	2029	Thereafter	Total
Long-term debt obligations ⁽¹⁾	\$ 563	2,394	1,052	1,372	2,293	1,919	9,593
Air Canada aircraft	190	350	275	210	118	331	1,474
Regional aircraft	72	51	41	40	40	269	513
Land and buildings	15	30	31	30	23	315	444
Lease liabilities	\$ 277	431	347	280	181	915	2,431
Total long-term debt and lease liabilities	\$ 840	2,825	1,399	1,652	2,474	2,834	12,024

Interest (Canadian dollars in millions)	Remainder of 2025	2026	2027	2028	2029	Thereafter	Total
Long-term debt obligations ⁽¹⁾	\$ 213	381	264	226	211	125	1,420
Air Canada aircraft	42	70	51	37	25	65	290
Regional aircraft	12	21	18	16	14	42	123
Land and buildings	11	22	20	18	17	203	291
Lease liabilities	\$ 65	113	89	71	56	310	704
Total long-term debt and lease liabilities	\$ 278	494	353	297	267	435	2,124

(1) The full principal balance of \$1,273 million for the unsecured credit facility due in 2028 and \$1,579 million (US\$1,160 million) for the term loan B maturing in 2031 is included.

Principal repayments in the table above exclude discounts and transaction costs of \$73 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			June 30, 2025
	Mar 31, 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	\$ 10,265	\$ -	\$ (482)	\$ -	\$ (363)	\$ 16	\$ -	\$ 9,436
Air Canada aircraft	1,519	-	(120)	-	(85)	-	160	1,474
Regional aircraft	580	-	(38)	-	(30)	-	1	513
Land and buildings	444	-	(7)	-	(1)	-	8	444
Lease liabilities	2,543	-	(165)	-	(116)	-	169	2,431
Unamortized debt issuance costs	(82)	-	-	-	-	9	-	(73)
Total liabilities from financing activities	\$ 12,726	\$ -	\$ (647)	\$ -	\$ (479)	\$ 25	\$ 169	\$ 11,794

(Canadian dollars in millions)	Cash Flows				Non-Cash Changes			June 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	\$ -	\$ (567)	\$ -	\$ (357)	\$ 34	\$ -	\$ 9,436
Air Canada aircraft	1,381	-	(222)	-	(85)	-	400	1,474
Regional aircraft	619	-	(77)	-	(30)	-	1	513
Land and buildings	433	-	(15)	-	-	-	26	444
Lease liabilities	2,433	-	(314)	-	(115)	-	427	2,431
Unamortized debt issuance costs	(89)	-	-	-	-	16	-	(73)
Total liabilities from financing activities	\$ 12,670	\$ -	\$ (881)	\$ -	\$ (472)	\$ 50	\$ 427	\$ 11,794

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 June 30		Six months ended June 30	
	2025	2024	2025	2024
Current income tax recovery (expense)	\$ 14	\$ 1	\$ 1	\$ (4)
Deferred income tax recovery (expense)	69	5	147	(6)
Income tax recovery (expense)	\$ 83	\$ 6	\$ 148	\$ (10)

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 six months ended June 30, 2025 was 26.49% (26.46% for the six months ended June 30, 2024).

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

(Canadian dollars in millions)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Remeasurements on net employee benefits				
- current income tax (expense)	\$ (2)	\$ (1)	\$ (2)	\$ (1)
- deferred income tax recovery (expense)	(32)	(8)	(42)	6
Fuel derivatives designated as cash flow hedges	(6)	-	(6)	-
Income tax recovery (expense)	\$ (40)	\$ (9)	\$ (50)	\$ 5

5. 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.

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:

	June 30, 2025	December 31, 2024
Issued and outstanding		
Class A variable voting shares	65,107,328	102,314,033
Class B voting shares	231,023,908	237,525,089
Total issued and outstanding shares	296,131,236	339,839,122

6. 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 June 30		Six months ended June 30	
	2025	2024	2025	2024
Numerator:				
Net income for the period:	\$ 186	\$ 410	\$ 84	\$ 329
Effect of assumed conversion of convertible notes	(13)	(16)	(49)	(1)
Adjusted numerator for diluted earnings per share	173	394	35	328
Denominator:				
Weighted-average shares	323	358	326	358
Effect of potential dilutive securities:				
Stock options	-	-	-	-
Convertible notes	18	18	18	18
Adjusted denominator for diluted earnings per share	341	376	344	376
Basic earnings per share	\$ 0.58	\$ 1.14	\$ 0.26	\$ 0.92
Diluted earnings per share	\$ 0.51	\$ 1.04	\$ 0.10	\$ 0.87

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 3, 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 will no longer be a consideration in computing the dilutive earnings per share for future quarters, 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 June 30, 2025 closing rate of CDN\$1.3608. Minimum future commitments under these contractual arrangements are shown below.

(Canadian dollars in millions)	Remainder of 2025	2026	2027	2028	2029	Thereafter	Total
Capital commitments	\$ 1,062	2,815	3,038	1,348	818	2,503	11,584

8. 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 (loss) on financial instruments recorded at fair value

(Canadian dollars in millions)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Embedded derivative on convertible notes	\$ -	\$ 30	\$ 45	\$ 33
Short-term and long-term investments	6	(1)	15	7
Gain on financial instruments recorded at fair value	\$ 6	\$ 29	\$ 60	\$ 40

Foreign Exchange Risk Management

As at June 30, 2025, Air Canada had outstanding foreign currency options and swap agreements, settling in 2025 and 2026, to purchase at maturity \$8,280 million (US\$6,085 million) of U.S. dollars at a weighted average rate of CDN\$1.3679 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 CDN\$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 June 30, 2025 was \$754 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 second quarter of 2025, foreign exchange gain (loss) related to these derivatives was \$726 million loss (\$721 million loss for the six-month period ended June 30, 2025; \$99 million gain and \$389 million gain respectively for the three- and six-month periods ended June 30, 2024). In the second quarter of 2025, foreign exchange derivative contracts cash settled with a net fair value of \$1 million in favour of Air Canada (\$59 million in favour of Air Canada for the six month period ended June 30, 2025; \$73 million in favour of Air Canada and \$132 million in favour of Air Canada respectively for the three- and six-month periods ended June 30, 2024).

Fuel Price Risk Management

In April 2025, Air Canada hedged approximately 22% and 17% of anticipated purchases of jet fuel for Q2 and Q3 2025, respectively, at an average jet fuel price of US\$0.48 per litre. Air Canada's contracts to hedge anticipated jet fuel purchases are composed of jet fuel swaps.

During the second quarter of 2025, fuel derivative contracts cash settled with a value of \$19 million in favour of Air Canada with a hedging gain of \$19 million recorded in Aircraft fuel expense. No hedge ineffectiveness was recorded. The fair value of fuel derivatives as at June 30, 2025 was \$22 million in favour of Air Canada.

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 \$168 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 June 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 \$9,366 million compared to its carrying value of \$9,436 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 six months ended June 30, 2025.

	June 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)
(Canadian dollars in millions)				
Financial Assets				
Held-for-trading securities				
Cash equivalents	\$ 147	\$ -	\$ 147	\$ -
Short-term investments	3,023	-	3,023	-
Long-term investments	678	-	678	-
Equity investment in Chorus	50	50	-	-
Derivative instruments				
Fuel derivatives	22	-	22	-
Total	\$ 3,920	\$ 50	\$ 3,870	\$ -
Financial Liabilities				
Derivative instruments				
Foreign exchange derivatives	754	-	754	-
Total	\$ 754	\$ -	\$ 754	\$ -

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 June 30		Six months ended June 30	
	2025	2024	2025	2024
Canada	\$ 1,379	\$ 1,336	\$ 2,501	\$ 2,457
U.S. Transborder	961	1,080	1,952	2,119
Atlantic	1,644	1,563	2,583	2,538
Pacific	702	701	1,333	1,372
Other	345	310	993	947
	\$ 5,031	\$ 4,990	\$ 9,362	\$ 9,433

Cargo Revenues (Canadian dollars in millions)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Canada	\$ 27	\$ 23	\$ 53	\$ 48
U.S. Transborder	14	14	29	26
Atlantic	89	89	178	173
Pacific	85	71	161	133
Other	38	33	82	65
	\$ 253	\$ 230	\$ 503	\$ 445

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 June 30		Six months ended June 30	
	2025	2024	2025	2024
Terminal handling	\$ 145	\$ 133	\$ 280	\$ 264
Crew cycle	86	75	165	142
Building rent and maintenance	76	79	155	161
Miscellaneous fees and services	78	52	139	110
Remaining other expenses	220	233	473	493
	\$ 605	\$ 572	\$ 1,212	\$ 1,170