



Second Quarter 2021
INTERIM UNAUDITED
Condensed Consolidated
Financial Statements and Notes
July 23, 2021



A STAR ALLIANCE MEMBER 

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited (Canadian dollars in millions)	June 30, 2021	December 31, 2020
ASSETS		
Current		
Cash and cash equivalents	\$ 2,710	\$ 3,658
Short-term investments	2,383	3,843
Total cash, cash equivalents and short-term investments	5,093	7,501
Restricted cash	56	106
Accounts receivable	617	644
Aircraft fuel inventory	58	41
Spare parts and supplies inventory	118	125
Prepaid expenses and other current assets	210	254
Total current assets	6,152	8,671
Investments, deposits and other assets	913	833
Property and equipment	11,977	12,137
Pension assets	3,045	2,840
Deferred income tax	34	25
Intangible assets	1,110	1,134
Goodwill	3,273	3,273
Total assets	\$ 26,504	\$ 28,913
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 2,101	\$ 2,465
Advance ticket sales	1,719	2,314
Aeroplane and other deferred revenue	814	572
Current portion of long-term debt and lease liabilities	1,012	1,788
Total current liabilities	5,646	7,139
Long-term debt and lease liabilities	11,734	11,201
Aeroplane and other deferred revenue	3,830	4,032
Pension and other benefit liabilities	2,636	3,015
Maintenance provisions	961	1,040
Other long-term liabilities	1,045	696
Deferred income tax	75	75
Total liabilities	\$ 25,927	\$ 27,198
SHAREHOLDERS' EQUITY		
Share capital	2,734	2,150
Contributed surplus	99	98
Accumulated other comprehensive loss	(23)	(39)
Deficit	(2,233)	(494)
Total shareholders' equity	577	1,715
Total liabilities and shareholders' equity	\$ 26,504	\$ 28,913

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	
	2021	2020	2021	2020
Operating revenues				
Passenger Note 11	\$ 426	\$ 207	\$ 821	\$ 3,400
Cargo Note 11	358	269	639	418
Other Note 4	53	51	106	431
Total revenues	837	527	1,566	4,249
Operating expenses				
Aircraft fuel	239	124	439	960
Wages, salaries and benefits	497	464	1,025	1,260
Regional airlines expense, excluding fuel	193	172	388	643
Depreciation and amortization	404	487	817	991
Aircraft maintenance	127	181	277	451
Airport and navigation fees	109	113	207	341
Sales and distribution costs	44	13	68	196
Ground package costs	1	(3)	6	231
Catering and onboard services	21	23	42	120
Communications and information technology	81	91	186	226
Special items Note 3	73	236	(54)	236
Other	181	181	347	582
Total operating expenses	1,970	2,082	3,748	6,237
Operating loss	(1,133)	(1,555)	(2,182)	(1,988)
Non-operating income (expense)				
Foreign exchange gain (loss)	(5)	242	62	(469)
Interest income	16	32	37	74
Interest expense Note 5	(164)	(149)	(341)	(278)
Interest capitalized	5	6	9	14
Net financing expense relating to employee benefits	(5)	(9)	(9)	(20)
Loss on financial instruments Note 10	(5)	(40)	(247)	(74)
Other	(7)	(8)	(14)	(16)
Total non-operating income (expense)	(165)	74	(503)	(769)
Loss before income taxes	(1,298)	(1,481)	(2,685)	(2,757)
Income tax (expense) recovery Note 6	133	(271)	216	(44)
Net loss for the period	\$ (1,165)	\$ (1,752)	\$ (2,469)	\$ (2,801)
Net loss per share Note 8				
Basic loss per share	\$ (3.28)	\$ (6.44)	\$ (7.16)	\$ (10.48)
Diluted loss per share	\$ (3.31)	\$ (6.44)	\$ (7.19)	\$ (10.48)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Unaudited (Canadian dollars in millions)	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Comprehensive income (loss)				
Net loss for the period	\$ (1,165)	\$ (1,752)	\$ (2,469)	\$ (2,801)
Other comprehensive income (loss), net of tax expense:				
Items that will not be reclassified to net income				
Remeasurements on employee benefit liabilities	326	(1,029)	730	79
Remeasurements on equity investments	3	-	16	(76)
Total comprehensive loss	\$ (836)	\$ (2,781)	\$ (1,723)	\$ (2,798)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited (Canadian dollars in millions)	Share capital	Contributed surplus	Accumulated OCI	Retained earnings (deficit)	Total shareholders' equity
January 1, 2020	\$ 785	\$ 83	\$ 25	\$ 3,507	\$ 4,400
Net loss	-	-	-	(2,801)	(2,801)
Remeasurements on employee benefit liabilities	-	-	-	79	79
Remeasurements on equity investments	-	-	(76)	-	(76)
Total comprehensive loss	-	-	(76)	(2,722)	(2,798)
Share-based compensation	-	10	-	-	10
Shares issued, net (Note 7)	558	-	-	-	558
Shares purchased and cancelled under issuer bid	(8)	-	-	(119)	(127)
June 30, 2020	\$ 1,335	\$ 93	\$ (51)	\$ 666	\$ 2,043
January 1, 2021	\$ 2,150	\$ 98	\$ (39)	\$ (494)	\$ 1,715
Net loss	-	-	-	(2,469)	(2,469)
Remeasurements on employee benefit liabilities	-	-	-	730	730
Remeasurements on equity investments	-	-	16	-	16
Total comprehensive loss	-	-	16	(1,739)	(1,723)
Share-based compensation	-	7	-	-	7
Shares issued, net (Note 7)	584	(6)	-	-	578
June 30, 2021	\$ 2,734	\$ 99	\$ (23)	\$ (2,233)	\$ 577

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		
	2021	2020	2021	2020	
Cash flows from (used for)					
Operating					
Net loss for the period	\$ (1,165)	\$ (1,752)	\$ (2,469)	\$ (2,801)	
Adjustments to reconcile to net cash from operations					
Deferred income tax	Note 6	(135)	278	(219)	82
Depreciation and amortization		404	487	817	991
Foreign exchange (gain) loss		(169)	(264)	(348)	473
Employee benefit funding less than expense		280	99	334	173
Loss on financial instruments	Note 10	5	40	247	74
Change in maintenance provisions		(46)	34	(133)	87
Changes in non-cash working capital balances		(582)	(550)	(586)	(648)
Special items	Note 3	6	330	13	330
Other		25	47	79	(32)
Net cash flows used in operating activities		(1,377)	(1,251)	(2,265)	(1,271)
Financing					
Proceeds from borrowings	Note 5	1,139	3,867	1,267	4,894
Reduction of long-term debt and lease liabilities	Note 5	(877)	(269)	(1,281)	(778)
Shares purchased for cancellation	Note 7	-	-	-	(132)
Issue of shares	Note 7	480	553	554	554
Financing fees	Note 5	(4)	(62)	(7)	(62)
Net cash flows from financing activities		738	4,089	533	4,476
Investing					
Investments, short-term and long-term		356	(112)	1,350	296
Additions to property, equipment and intangible assets		(266)	(212)	(546)	(585)
Proceeds from sale of assets		6	2	11	4
Proceeds from sale and leaseback of assets		5	-	11	-
Other		(11)	6	(5)	37
Net cash flows from (used in) investing activities		90	(316)	821	(248)
Effect of exchange rate changes on cash and cash equivalents		(19)	(21)	(37)	42
Increase (decrease) in cash and cash equivalents		(568)	2,501	(948)	2,999
Cash and cash equivalents, beginning of period		3,278	2,588	3,658	2,090
Cash and cash equivalents, end of period		\$ 2,710	\$ 5,089	\$ 2,710	\$ 5,089
Cash payments of interest	Note 5	\$ 150	\$ 134	\$ 283	\$ 244
Cash payments of income taxes		\$ 10	\$ -	\$ 42	\$ 91

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

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, along with the global airline industry, continues to face a severe drop in traffic and a corresponding decline in revenue and cash flows as a result of the COVID-19 pandemic and the travel restrictions imposed in many countries around the world, and particularly in Canada. There is limited visibility on travel demand given changing government restrictions in place around the world and the severity of the restrictions which have only recently begun to ease in Canada. Air Canada cannot predict the full impact or the timing for when conditions may improve. Air Canada is actively monitoring the situation and will respond as the impact of the COVID-19 pandemic evolves, which will depend on a number of factors including the course of the virus, availability of rapid, effective testing, vaccinations and treatments for the virus, government actions, and passenger reaction, as well as timing of a recovery in international and business travel which are important segments of Air Canada’s markets, none of which can be predicted with certainty.

The Corporation has historically experienced greater demand for its services in the second and third quarters of the calendar year and lower demand in the first and fourth quarters of the calendar year. This demand pattern was principally a result of the high number of leisure travelers and their preference for travel during the spring and summer months. However, given the impact of the COVID-19 pandemic, it is expected that the normal seasonal demand pattern will not occur in 2021, with demand being depressed; certain revenues, expenses, and balance sheet items tied directly to sales and operating activities are and will continue to be considerably impacted by the drop in traffic. The airline continues to dynamically adjust capacity as required. While the Corporation has taken steps to reduce its cost structure in response to the COVID-19 pandemic, the Corporation continues to have substantial fixed costs in its cost structure that do not meaningfully fluctuate with passenger demand in the short term.



2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Corporation 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 ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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 the Corporation's annual consolidated financial statements for the year ended December 31, 2020. 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 the Corporation on July 22, 2021.

These financial statements are based on the accounting policies consistent with those disclosed in Note 2 to the 2020 annual consolidated financial statements except for change noted below.

Adoption of Accounting Standard Amendments - Interbank Offered Rate ("IBOR") Reform

In August 2020, the IASB published amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases.

The amendments address issues that arise from implementation of IBOR reform, where IBORs are replaced with alternative benchmark rates. For financial instruments at amortized cost, the amendments introduce a practical expedient such that if a change in the contractual cash flows is as a result of IBOR reform and occurs on an economically equivalent basis, the change will be accounted for by updating the effective interest rate with no immediate gain or loss recognized.

The Corporation adopted these amendments on January 1, 2021, electing to apply the practical expedient. The adoption of this standard has no impact on the Corporation's consolidated financial statements on date of adoption or for comparative periods.

3. SPECIAL ITEMS

Special items are those items that in management's view are to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Corporation's financial performance.

Special items recorded within operating expenses consist of the following:

(Canadian dollars in millions)	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Impairments	\$ 6	\$ 330	\$ 26	\$ 330
Canada emergency wage subsidy, net	(158)	(202)	(321)	(202)
Workforce reduction provisions	157	112	159	112
Benefit plan amendments	68	-	68	-
Other	-	(4)	14	(4)
Special items	\$ 73	\$ 236	\$ (54)	\$ 236

Impairments

In response to capacity reductions related to the impact of the COVID-19 pandemic, Air Canada is accelerating the retirement of certain older aircraft from its fleet. As a result, a non-cash impairment charge of \$283 million was recorded in 2020 (\$295 million in the second quarter of 2020), reflecting the write-down of right-of-use assets for leased aircraft and reduction of carrying values of owned aircraft to expected disposal proceeds.

In addition, the Corporation recorded an impairment charge of \$35 million in the second quarter of 2020 related to previously capitalized costs incurred for the development of technology based intangible assets which are now cancelled.

In the first six months of 2021, an additional impairment charge of \$26 million was recorded as a result of reductions to the estimates around the expected disposal proceeds on owned aircraft partially offset by lower than expected costs to meet contractual return conditions on lease returns. Further changes to these estimates may result in additional adjustments to the impairment charge in future periods.

Canada Emergency Wage Subsidy

In 2020, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") in order to help employers retain and/or return Canadian-based employees to payrolls in response to challenges posed by the COVID-19 pandemic.

The Corporation has recorded a total gross subsidy under the CEWS program of \$160 million in the second quarter of 2021 (\$326 million for the six months ended June 30, 2021; \$295 million in the second quarter of 2020). Cash payments of \$146 million have been received in the second quarter of 2021 (\$302 million for the six months ended June 30, 2021; \$180 million in the second quarter of 2020). The amount of the CEWS recorded in Special items is net of the cost for inactive employees who were eligible for the wage subsidy under the program. There are no unfulfilled conditions or other contingencies attaching to the current CEWS program.

Subject to meeting the eligibility requirements, Air Canada intends to continue its participation in the CEWS program which the Government of Canada announced is extended to September 2021.

Workforce Reduction Provisions

As a result of the COVID-19 pandemic and to mitigate the number of employees who remain on layoff status, during the second quarter of 2021, Air Canada offered early retirement incentive programs to its unionized workforce. These programs provide for pension improvements which are payable from the defined benefit pension plan for eligible employees, and as such do not impact the Corporation's liquidity position. Termination benefits and a curtailment loss of \$157 million were recorded during the second quarter of 2021 as a special item.

As a result of the impact of the COVID-19 pandemic, Air Canada undertook a workforce reduction of approximately 20,000 employees in the second quarter of 2020, representing more than 50% of its staff, achieved through layoffs, terminations of employment, early retirements and special leaves. A workforce reduction provision of \$76 million was recorded in the second quarter of 2020 related to these measures (\$78 million for the year ended December 31, 2020). Payments of \$18 million have been made from such provision in the second quarter (\$25 million for the six month period ended June 30, 2021), with a remaining obligation of \$23 million at June 30, 2021. The provision includes the estimated notice of termination and severance costs under the Corporation's collective agreements and the *Canada Labour Code*, which amount is subject to adjustment depending on the duration and number of employees who remain on layoff status. In addition to the provision, termination benefits and curtailments of \$36 million related to the pension and benefit obligations were recorded in the second quarter of 2020.

Benefit Plan Amendments

In April 2021, Air Canada received the decision of the arbitrator in relation to the determination of the cap on pensionable earnings recognized in the defined benefit pension plan for IAMAW-represented technical employees. The decision resulted in an increase to the maximum pensionable earnings, effective from 2021. The period of retroactivity, if any, is not yet resolved. The Corporation recorded a one-time pension past service cost of \$68 million as a special item in the second quarter of 2021 as a result of this plan amendment. This amendment does not impact the Corporation's liquidity position as it is funded out of the surplus in the domestic registered pension plans.

Other

Termination of the Transat Arrangement Agreement

On April 2, 2021, Air Canada announced that the Arrangement Agreement for the proposed acquisition of Transat A.T. Inc ("Transat") was terminated. Air Canada and Transat had originally agreed in June 2019 on the acquisition, the terms of which were subsequently amended in August 2019 and then revised in October 2020 as a result of the severe economic impact of the COVID-19 pandemic.

Both Air Canada and Transat agreed to terminate the Arrangement Agreement with Air Canada paying Transat a termination fee of \$12.5 million, and with Transat no longer under any obligation to pay Air Canada any fee should Transat be involved in another acquisition or similar transaction in the future.

Amendments to Capacity Purchase Agreements

In March 2021, Air Canada announced an agreement to amend the Capacity Purchase Agreement (CPA) with Jazz Aviation LP, a wholly-owned subsidiary of Chorus Aviation Inc., under which Jazz currently operates regional Air Canada Express flights. Through the revised agreement, Air Canada has transferred the operation of its Embraer E175 fleet to Jazz from Sky Regional and Jazz has become the sole operator of Air Canada Express services. The capacity purchase agreement with Sky Regional was terminated. The Corporation recorded a net expense of \$2 million, related to the CPA revisions and consolidation of regional flying. The expense includes a net provision of \$12 million in estimated termination costs to be paid, offset by retirement of lease liabilities and inventory costs associated with exiting aircraft.



4. DEBT AND EQUITY FINANCING AGREEMENTS WITH THE GOVERNMENT OF CANADA

On April 12, 2021, Air Canada entered into a series of debt and equity financing agreements with the Government of Canada (acting through Canada Enterprise Emergency Funding Corporation) which allows Air Canada to access up to \$5.879 billion in liquidity through the Large Employer Emergency Financing Facility (LEEFF) program.

The financial package provides for fully repayable loans that Air Canada will only draw down if and as required, as well as an equity investment, and is comprised of:

- Gross proceeds of \$500 million for 21,570,942 Air Canada shares at a price of \$23.17933 per share (net proceeds of \$480 million).
- \$1.5 billion in the form of a secured revolving credit facility maturing in April 2026 and bearing interest at the Canadian Dollar Offered Rate (CDOR) plus 1.5%; the facility is secured on a first lien basis by the assets of Aeroplan, Air Canada's shares in Aeroplan as well as certain assets of Air Canada, including certain intellectual property relating to the Aeroplan loyalty program. No amount has been drawn by Air Canada under this facility.
- \$2.475 billion in the form of three unsecured non-revolving credit facilities of \$825 million each with: the first, five-year tranche maturing in April 2026, at CDOR plus 1.75% per annum; the second, six-year tranche maturing in April 2027, at 6.5% per annum (increasing to 7.5% after 5 years); and the third, seven-year tranche maturing in April 2028, at 8.5% per annum (increasing to 9.5% after 5 years). No amounts have been drawn under these facilities.
- As consideration for the Government making the above secured and unsecured credit facilities available to Air Canada, Air Canada issued an aggregate of 14,576,564 warrants initially exercisable for the purchase of an equal number of Air Canada shares, subject to customary adjustments, at an exercise price of \$27.2698 per share during a 10-year term, representing an aggregate exercise price equal to 10% of the total commitment available under the above secured and unsecured credit facilities; 50% of the warrants vested concurrently with the implementation of the credit facilities and the remaining 50% of the warrants will vest on a proportional basis to the amounts that Air Canada draws, if any, under the above unsecured credit facilities; the warrants are subject to a one-time call right in favour of Air Canada, pursuant to which Air Canada may, upon repayment of all indebtedness, if any, outstanding under the above secured and unsecured credit facilities and termination thereof, repurchase for cancellation all outstanding warrants at a price per warrant equal to its fair market value determined by third-party valuers. The vested warrants are exercisable by the holder either by paying the exercise price or by using a cashless exercise option.
- Up to \$1.404 billion in the form of an unsecured credit facility tranche to support customer refunds of non-refundable tickets. The facility has a seven-year term maturing April 2028 and carries an annual interest rate of 1.211%. Draws under this facility are made monthly based on the amount of refunds processed and paid during the period. As at June 30, 2021, \$858 million has been drawn under this facility to support customer refunds of non-refundable tickets, and a further \$139 million is being drawn under the facility for refunds paid up until June 30, 2021. Draws under this facility may continue up until November 30, 2021 as eligible refunds are paid.

As part of the financial package, Air Canada has agreed to a number of commitments related to customer refunds, service to certain regional communities, restrictions on the use of the funds provided, employment levels and capital expenditures. Such commitments include:

- Using the proceeds from the financial package (other than the \$1.404 billion ticket refund facility) only for the payment of operating expenses and ordinary course business obligations of Air Canada as they become due in accordance with past practices.

- Offering eligible customers who purchased non-refundable fares but did not travel due to COVID-19 since February 2020 up to April 13, 2021 the option of a refund to the original form of payment. In support of its travel agency partners, Air Canada has decided that it will not retract agency sales commissions on refunded fares.
- The resumption of service or access to Air Canada's network for most regional communities where service was suspended because of COVID-19's impact on travel, through direct services or new interline agreements with third party regional carriers.
- Restricting certain expenditures and senior executive compensation in respect of any financial year during which the secured and unsecured facilities are outstanding (other than the unsecured credit facility tranche to support customer refunds of non-refundable tickets).
- Restricting dividends or payments of distributions on Air Canada's equity interests, or any purchases, redemptions or other acquisitions or retirements for value of any equity interests or convertible indebtedness of Air Canada while any indebtedness is outstanding under any of the secured and unsecured credit facilities (excluding the unsecured credit facility tranche to support customer refunds of non-refundable tickets) and for a period of 12 months following the termination of such facilities.
- Obligations to maintain employment at levels which are no lower than those at April 1, 2021.
- The completion of the airline's acquisition of 33 Airbus A220 aircraft, manufactured at Airbus' Mirabel, Quebec facility. Air Canada has also agreed to complete its existing firm order of 40 Boeing 737 Max aircraft. Completion of these orders remains subject to the terms and conditions of the applicable purchase agreements.

In connection with the Government's equity investment, Air Canada has agreed to provide the Government with customary registration rights. The Air Canada shares and warrants issued to the Government are subject to certain transfer restrictions, namely (i) restrictions on any transfer, other than to affiliates of the Government, for a period commencing on the date of issuance and ending, in the case of the shares, on the date that is one year from the date of issuance and, in respect of the warrants, the date on which Air Canada's previously described call right has expired pursuant to the terms of the warrants, (ii) restrictions on transfers to competitors and securityholders of Air Canada that beneficially own or control 5% or more of Air Canada's issued and outstanding shares, including any convertible securities, on an as converted basis, subject to customary exceptions, and (iii) in respect of the warrants, once the transfer restriction described in (i) has expired, minimum block sizes for transfers. The warrants are also subject to an exercise cap which limits the Government's aggregate ownership of Air Canada shares. The exercise cap prohibits the Government from exercising any warrants if the voting rights attached to the Air Canada shares held by the Government (including those issued upon any exercise of the warrants) would exceed 19.99% of the aggregate votes attached to all of Air Canada's voting securities outstanding immediately after giving effect to such exercise.

Accounting impact

The debt and equity instruments issued are measured at fair value at inception. Any difference between fair value and proceeds received is recognized for accounting purposes as a government grant. The deferred grant income recorded at the inception of the agreement, and taking into account the amounts drawn under the ticket refund facility up to June 30, 2021, was \$51 million. This deferred grant income reflects the aggregate net fair value adjustments of the ticket refund facility, the shares issued and vested warrants and will be amortized into Other revenues on a straight line basis over three years. The amortization period is based on the Corporation's approximation of the expected timing of the costs for which the grant is intended to compensate. During the second quarter of 2021, grant income of \$4 million was recognized in Other revenues.

As described further in Note 5, as of June 30, 2021, \$858 million had been drawn on the ticket refund facility.

The Government's ability to choose whether to exercise the warrants by paying the strike price or to use a cashless exercise option gives rise to a financial liability. The fair value of the vested warrants at initial recognition was \$109 million and is recorded in Other long-term liabilities. Fair value of the warrants is determined using the Black-Scholes option valuation model. Subsequent to initial



recognition, the Corporation will measure the financial liability at fair value at each reporting date, recognizing changes in fair value in Gain (loss) on financial instruments. The unvested warrants are accounted for only if, and to the extent that, Air Canada draws on the \$2.475 billion unsecured non-revolving facilities described above. At June 30, 2021, the fair value of the warrants was \$100 million and the Corporation recorded an unrealized gain of \$9 million. Refer to Note 10.

5. LONG-TERM DEBT AND LEASE LIABILITIES

	Final Maturity	Weighted Average Interest Rate (%)	June 30, 2021 (Canadian dollars in millions)	December 31, 2020 (Canadian dollars in millions)
Aircraft financing (a)				
Fixed rate U.S. dollar financing	2021 – 2030	4.86	\$ 3,550	\$ 3,791
Floating rate U.S. dollar financing	2026 – 2027	1.98	445	483
Fixed rate CDN dollar financing	2026 – 2030	3.78	219	232
Floating rate CDN dollar financing	2026 – 2033	2.01	1,112	1,007
Fixed rate Japanese yen financing	2027	1.84	131	145
Floating rate Japanese yen financing	2027	3.00	3	5
Convertible notes	2025	4.00	674	667
Credit facility – CDN dollar (b)	2028	1.21	675	-
Senior and Second Lien secured notes – CDN dollar	2023 – 2024	8.18	1,040	1,040
Senior unsecured notes – U.S. dollar	2021	7.75	-	509
Other secured financing – U.S. dollar (c)	2023 – 2024	2.21	1,460	1,483
Other secured financing – CDN dollar (c)	2023	3.24	199	199
Long-term debt		3.93	9,508	9,561
Lease liabilities				
Air Canada aircraft	2021 – 2031	4.92	1,934	1,996
Regional aircraft	2023 – 2035	6.13	1,045	1,171
Land and buildings	2021 – 2078	5.43	416	429
Lease liabilities		5.35	3,395	3,596
Total debt and lease liabilities		4.30	12,903	13,157
Unamortized debt issuance costs and discounts			(157)	(168)
Current portion – Long-term debt			(488)	(1,244)
Current portion – Air Canada aircraft			(331)	(340)
Current portion – Regional aircraft			(168)	(179)
Current portion – Land and buildings			(25)	(25)
Long-term debt and lease liabilities			\$ 11,734	\$ 11,201

The above table provides terms of instruments disclosed in Note 9 to the 2020 annual consolidated financial statements of the Corporation as well as updated terms and instruments concluded during the six months ended June 30, 2021 and described below. Refer to Note 12 for information on Air Canada's launch of syndication of new credit facilities which was announced on July 19, 2021.

(a) In September 2020, Air Canada concluded a committed secured facility totaling \$788 million to finance the purchase of the first 18 Airbus A220 aircraft. As aircraft are financed under this facility, the bridge financing of \$788 million put in place in April 2020 is repaid concurrently. Air Canada took delivery of the final three Airbus A220 aircraft in the first quarter of 2021 and as at March 31, 2021, all 18 Airbus A220 aircraft were financed under this facility and the corresponding bridge financing was repaid.

In March 2021, Air Canada concluded a committed secured facility totaling US\$475 million to finance the purchase of the next 15 Airbus A220 aircraft scheduled for delivery in 2021 and 2022, the first of which arrived in March 2021. As at June 30, 2021, Air Canada has taken delivery of 6 A220 aircraft and has drawn \$180 million under this facility. As at June 30, 2021, up to 10 term loan facilities were available, each one relating to one of the aircraft and being not more than the Canadian dollar equivalent of the applicable loan maximum. Loans for each aircraft have a final maturity date 10 years after delivery

of the applicable aircraft. Interest rates, which can be floating or fixed, are set on draw down of each loan. Floating interest rates are generally CDOR plus a margin of 2.28%. Fixed interest rates are based on the rate to swap floating rate debt of CDOR plus a margin of 2.28% to a fixed rate debt plus a margin of 2.49%.

Aircraft-related financings include the financing facilities related to the 2013-1 EETC offering. In May 2021, US\$84 million (\$101 million) related to the series 2013-1B equipment notes were refinanced, at their original maturity, with an interest rate of 4.75% per annum and a final expected distribution date of May 2025.

(b) In connection with the Government of Canada financing agreements described in Note 4, as at June 30, 2021, Air Canada has accessed \$858 million of the \$1,404 million unsecured credit facility tranche to support customer refunds of non-refundable tickets. The facility has a seven-year term maturing April 2028 with a stated annual interest rate of 1.211%. The book value of the debt, \$675 million at June 30, 2021, is recognized at inception using an effective interest rate of 4.90%. The difference accretes the carrying value of the underlying debt upwards to its face value using the effective interest rate method. Draws under this facility are made monthly based on the amount of refunds processed and paid during the period. No draws have been made on the \$3.975 billion in credit facilities that is also available under the financing agreements.

(c) In February 2021, the Corporation extended its US\$600 million revolving credit facility by one year to April 2024 and increased the interest rate by 75 basis points, to an interest rate margin of 250 basis points over LIBOR. The Corporation also extended its \$200 million revolving credit facility by one year to December 2023 and increased the interest rate by 25 basis points, to an interest rate margin of 275 basis points over banker's acceptance rates. The Corporation recorded a \$19 million loss on debt modification related to this transaction which is included in Loss on financial instruments.

The Corporation has recorded Interest expense as follows:

(Canadian dollars in millions)	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Interest on debt	\$ 121	\$ 96	\$ 252	\$ 170
Interest on lease liabilities				
Air Canada aircraft	23	28	47	58
Regional aircraft	15	20	32	40
Land and buildings	5	5	10	10
Interest expense	\$ 164	\$ 149	\$ 341	\$ 278

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	
	2021	2020	2021	2020
Short-term leases	\$ (3)	\$ 5	\$ 1	\$ 25
Variable lease payments not included in lease liabilities	7	7	14	14
Expense related to leases (included in Other operating expenses)	\$ 4	\$ 12	\$ 15	\$ 39

Total cash outflows for payments on lease liabilities was \$183 million for the three months ended June 30, 2021 (\$373 million for the six months ended June 30, 2021; \$235 million and \$448 million for the three and six month periods ended June 30, 2020), of which \$140 million was for principal

repayments (\$284 million for the six months ended June 30, 2021; \$182 million and \$340 million for the three and six month periods ended June 30, 2020).

Maturity Analysis

Principal and interest repayment requirements as at June 30, 2021 on Long-term debt and lease liabilities are as follows. U.S. dollar amounts are converted using the June 30, 2021 closing rate of CDN\$1.2398.

Principal (Canadian dollars in millions)	Remainder of 2021	2022	2023	2024	2025	Thereafter	Total
Long-term debt obligations ⁽¹⁾	\$ 243	\$ 488	\$ 1,715	\$ 2,021	\$ 1,710	\$ 3,768	\$ 9,945
Air Canada aircraft	181	302	295	283	269	604	1,934
Regional aircraft	88	158	160	133	119	387	1,045
Land and buildings	12	25	23	23	23	310	416
Lease liabilities	\$ 281	\$ 485	\$ 478	\$ 439	\$ 411	\$ 1,301	\$ 3,395
Total long-term debt and lease liabilities	\$ 524	\$ 973	\$ 2,193	\$ 2,460	\$ 2,121	\$ 5,069	\$ 13,340

Interest (Canadian dollars in millions)	Remainder of 2021	2022	2023	2024	2025	Thereafter	Total
Long-term debt obligations ⁽¹⁾	\$ 186	\$ 368	\$ 344	\$ 251	\$ 187	\$ 287	\$ 1,623
Air Canada aircraft	43	74	60	47	35	45	304
Regional aircraft	30	52	41	31	23	101	278
Land and buildings	10	20	19	18	17	208	292
Lease liabilities	\$ 83	\$ 146	\$ 120	\$ 96	\$ 75	\$ 354	\$ 874
Total long-term debt and lease liabilities	\$ 269	\$ 514	\$ 464	\$ 347	\$ 262	\$ 641	\$ 2,497

(1) Assumes the principal balance of the convertible notes, \$928 million (US\$748 million), remains unconverted and includes estimated interest payable until maturity in 2025. The full principal balance of \$858 million for the unsecured credit facility described in (b) above is included.

Principal repayments in the table above exclude discounts and transaction costs of \$157 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)	Mar. 31, 2021	Cash Flows			Non-Cash Changes			Jun. 30, 2021
		Borrowings	Repayments	Financing fees	Foreign exchange adjustments	Amortization of financing fees and other adjustments	New lease liabilities (new and modified contracts)	
Long-term debt	\$ 9,360	\$ 1,139	\$ (737)	\$ -	\$ (88)	\$ (166)	\$ -	\$ 9,508
Air Canada aircraft	2,027	-	(89)	-	(26)	-	22	1,934
Regional aircraft	1,104	-	(45)	-	(15)	-	1	1,045
Land and buildings	423	-	(6)	-	-	-	(1)	416
Lease liabilities	3,554	-	(140)	-	(41)	-	22	3,395
Unamortized debt issuance costs	(162)	-	-	(4)	-	9	-	(157)
Total liabilities from financing activities	\$ 12,752	\$ 1,139	\$ (877)	\$ (4)	\$ (129)	\$ (157)	\$ 22	\$ 12,746

(Canadian dollars in millions)	Dec. 31, 2020	Cash Flows			Non-Cash Changes			Jun. 30, 2021
		Borrowings	Repayments	Financing fees	Foreign exchange adjustments	Amortization of financing fees and other adjustments	New lease liabilities (new and modified contracts)	
Long-term debt	\$ 9,561	\$ 1,267	\$ (997)	\$ -	\$ (192)	\$ (131)	\$ -	\$ 9,508
Air Canada aircraft	1,996	-	(189)	-	(52)	-	179	1,934
Regional aircraft	1,171	-	(82)	-	(29)	-	(15)	1,045
Land and buildings	429	-	(13)	-	(1)	-	1	416
Lease liabilities	3,596	-	(284)	-	(82)	-	165	3,395
Unamortized debt issuance costs	(168)	-	-	(7)	-	18	-	(157)
Total liabilities from financing activities	\$ 12,989	\$ 1,267	\$ (1,281)	\$ (7)	\$ (274)	\$ (113)	\$ 165	\$ 12,746

6. INCOME TAXES

Income Tax Recovery

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	
	2021	2020	2021	2020
Current income tax (expense) recovery	\$ (2)	\$ 7	\$ (3)	\$ 38
Deferred income tax (expense) recovery	135	(278)	219	(82)
Income tax (expense) recovery	\$ 133	\$ (271)	\$ 216	\$ (44)

The Corporation's statutory tax rate for the six months ended June 30, 2021 was 26.47% (26.59% for the six months ended June 30, 2020).

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

(Canadian dollars in millions)	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Remeasurements on employee benefit liabilities				
- current income tax (expense) recovery	\$ (3)	\$ (13)	\$ (7)	\$ (13)
- deferred income tax (expense) recovery	(130)	359	(210)	(41)
Remeasurements on equity investments				
- deferred income tax (expense) recovery	-	-	-	4
Income tax (expense) recovery	\$ (133)	\$ 346	\$ (217)	\$ (50)

7. SHARE CAPITAL

The issued and outstanding shares of Air Canada, along with the potentially issuable shares, were as follows:

	June 30, 2021	December 31, 2020
Issued and outstanding		
Class A variable voting shares	96,311,248	111,926,060
Class B voting shares	261,419,231	220,246,228
Total issued and outstanding	357,730,479	332,172,288
Potentially issuable shares		
Convertible notes	48,687,441	48,687,441
Warrants Note 4	14,576,564	-
Stock options	4,402,975	5,903,174
Total outstanding and potentially issuable shares	425,397,459	386,762,903

Issuer Bid

In response to the COVID-19 pandemic, in early March 2020 Air Canada suspended share purchases under its normal course issuer bid. Air Canada's normal course issuer bid expired in May 2020 and Air Canada did not renew it.

Prior to suspending purchases under its normal course issuer bid, in the first quarter of 2020, the Corporation purchased, for cancellation, a total of 2,910,800 shares at an average cost of \$43.76 per share for aggregate consideration of \$127 million. The excess of the cost over the average book value of \$119 million was charged to Retained earnings.

Share Offering

In connection with Air Canada's December 2020 share offering, Air Canada granted the underwriters an option to purchase up to an additional 15% of the shares in the offering, exercisable in whole or in part at any time until 30 days after closing of the offering on December 30, 2020. In January 2021, the underwriters partially exercised their over-allotment option to purchase an additional 2,587,000 Air Canada shares for gross proceeds of \$62 million. After deduction of the underwriters' fees and expenses, net proceeds from the exercise of this over-allotment option were \$60 million.

As further described in Note 4, in April 2021, Air Canada entered into a series of debt and equity financing agreements with the Government of Canada, including the issuance of shares and warrants. Air Canada issued 21,570,942 shares to the Government of Canada for net proceeds of \$480 million.

8. 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 June 30		Six months ended June 30	
	2021	2020	2021	2020
Numerator:				
Net loss for the period:	\$ (1,165)	\$ (1,752)	\$ (2,469)	\$ (2,801)
Effect of assumed conversion of convertible notes	37	54	238	54
Effect of assumed conversion of warrants	(9)	-	(9)	-
Remove anti-dilutive impact	(37)	(54)	(238)	(54)
Adjusted numerator for diluted loss per share:	(1,174)	(1,752)	(2,478)	(2,801)
Denominator:				
Weighted-average shares	355	272	345	267
Effect of potential dilutive securities:				
Stock options	1	1	1	2
Warrants	-	-	-	-
Convertible notes	49	15	49	7
Total potential dilutive securities	50	16	50	9
Remove anti-dilutive impact	(50)	(16)	(50)	(9)
Adjusted denominator for diluted loss per share	355	272	345	267
Basic loss per share	\$ (3.28)	\$ (6.44)	\$ (7.16)	\$ (10.48)
Diluted loss per share	\$ (3.31)	\$ (6.44)	\$ (7.19)	\$ (10.48)

The calculation of 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.

Excluded from the calculation of diluted loss per share were outstanding options and warrants where the exercise prices were greater than the average market price of the shares for the period.

9. COMMITMENTS

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 and, where applicable, deferred price delivery payment interest calculated based on the 90-day U.S. LIBOR rate at June 30, 2021. U.S. dollar amounts are converted using the June 30, 2021 closing rate of CDN\$1.2398. Minimum future commitments under these contractual arrangements are shown below.

(Canadian dollars in millions)	Remainder of 2021	2022	2023	2024	2025	Thereafter	Total
Capital commitments	\$ 464	\$ 1,001	\$ 495	\$ 196	\$ -	\$ -	\$ 2,156

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Refer also to Note 17 to the 2020 annual consolidated financial statements for information on the Corporation's risk management strategy.

Summary of Loss on Financial Instruments

(Canadian dollars in millions)	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Share forward contracts	\$ (1)	\$ 1	\$ 2	\$ (33)
Embedded derivative on convertible notes	(23)	(41)	(210)	(41)
Warrants	Note 4	-	9	-
Financial assets measured at fair value	10	-	(29)	-
Loss on debt modifications	Note 5	-	(19)	-
Loss on financial instruments	\$ (5)	\$ (40)	\$ (247)	\$ (74)

Liquidity Risk Management

The Corporation manages its liquidity needs through a variety of strategies including by seeking to sustain and improve cash from operations, sourcing committed financing for new and existing aircraft, and through other financing activities.

Liquidity needs are primarily related to meeting obligations associated with financial liabilities, capital commitments, ongoing operations, contractual and other obligations. The Corporation monitors and manages liquidity risk by preparing rolling cash flow forecasts for a minimum period of at least twelve months after each reporting period, monitoring the condition and value of assets available to be used as well as those assets being used as security in financing arrangements, seeking flexibility in financing arrangements, and establishing programs to monitor and maintain compliance with terms of financing agreements. At June 30, 2021, unrestricted liquidity was \$9,775 million comprised of \$5,661 million in Cash and cash equivalents, Short-term investments, and Long-term investments and \$4,114 million available under undrawn credit facilities with the Government of Canada, which amount includes \$139 million being drawn under the refunds credit facility for refunds paid up until June 30, 2021 (refer to Note 4).

In response to the COVID-19 pandemic, Air Canada has taken the following actions in 2021 to support its liquidity position:

- As described in Note 4, Air Canada entered into a series of debt and equity financing agreements with the Government of Canada, which allows Air Canada to access up to \$5.379 billion in debt financing through fully repayable loans that Air Canada will only draw down if and as required, as well as an equity investment for gross proceeds of \$500 million (net proceeds of \$480 million). As at June 30, 2021, \$858 million has been drawn under the unsecured credit facility to support customer refunds of non-refundable tickets. No amount has been drawn on any of the other facilities with the Government of Canada. Air Canada is entitled to repay and terminate these facilities at any time without penalty.
- Revised the terms of its Capacity Purchase Agreement with Jazz Aviation LP. Through the revised agreement, Jazz has become the sole operator of Air Canada Express services. This realignment of regional services will help achieve efficiencies and reduce operating costs and cash burn by consolidating Air Canada's regional operations with one provider. In addition, the revised CPA will lower future contractual capital expenditure and leasing costs through a restructured CPA fleet.



- As described in Note 5, the Corporation extended its US\$600 million and \$200 million revolving credit facilities by one year.
- As described in Note 5, the Corporation refinanced the Series B Certificates of its 2013-1 EETC with a final expected distribution date of May 2025.
- As described in Note 12, on July 19, 2021, Air Canada announced that it had launched the syndication of new credit facilities.

Foreign Exchange Risk Management

Based on the notional amount of currency derivatives outstanding at June 30, 2021, as further described below, approximately 82% of net U.S. cash outflows are hedged for the remainder of 2021 and 33% for 2022, resulting in derivative coverage of 55% over the next 18 months. Operational U.S. dollar cash and investment reserves combined with derivative coverage results in 60% coverage over the next 18 months.

As at June 30, 2021, the Corporation had outstanding foreign currency options and swap agreements, settling in 2021 and 2022, to purchase at maturity \$3,434 million (US\$2,767 million) of U.S. dollars at a weighted average rate of \$1.3422 per US\$1.00 (as at December 31, 2020 – \$5,730 million (US\$4,499 million) with settlements in 2021 and 2022 at a weighted average rate of \$1.3586 per \$1.00 U.S. dollar). The Corporation also has protection in place to sell a portion of its excess Euros, Sterling, YEN, YUAN, and AUD (EUR €78 million, GBP £72 million, JPY ¥5,503 million, CNH ¥160 million, and AUD \$14 million) which settle in 2021 and 2022 at weighted average rates of €1.1841, £1.3943, ¥0.0095, ¥0.1471, and \$0.6925 per \$1.00 U.S. dollar respectively (as at December 31, 2020 - EUR €464 million, GBP £64 million, JPY ¥4,963 million, CNH ¥415 million and AUD \$88 million with settlement in 2021 and 2022 at weighted average rates of €1.1414, £1.3277, ¥0.0094, ¥0.1463, and \$0.6942 respectively 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, 2021 was \$486 million in favour of the counterparties (as at December 31, 2020 – \$591 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 second quarter of 2021, Foreign exchange gain (loss) related to these derivatives was \$120 million loss (\$193 million loss for the six month period ended June 30, 2021; \$87 million loss for the three and six month periods ended June 30, 2020). In the second quarter of 2021, foreign exchange derivative contracts cash settled with a net fair value of \$177 million in favour of the counterparties (\$298 million for the six month period ended June 30, 2021 in favour of the counterparties; \$11 million and \$44 million in favour of the Corporation respectively for the three and six month periods ended June 30, 2020).

The Corporation also holds U.S. cash reserves as an economic hedge against changes in the value of the U.S. dollar. U.S. dollar cash and short-term investment balances as at June 30, 2021 amounted to \$885 million (US\$717 million) (\$1,747 million (US\$1,371 million) as at December 31, 2020). During the three months ended June 30, 2021, a loss of \$23 million (\$44 million loss for the six month period ended June 30, 2021; \$35 million loss and \$56 million gain for the three and six month periods ended June 30, 2020) was recorded in Foreign exchange gain (loss) reflecting the change in Canadian equivalent market value of the U.S. dollar cash, short-term and long-term investment balances held.

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.

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 at June 30, 2021.

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 the Corporation based on recent transactions. Based on significant unobservable inputs (Level 3 in the fair value hierarchy), the estimated fair value of debt is \$9,728 million compared to its carrying value of \$9,508 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 17 to the 2020 annual consolidated financial statements. The fair value of warrants that were issued in April 2021 are measured using the Black-Scholes option valuation model. There were no transfers within the fair value hierarchy during the six months ended June 30, 2021.

(Canadian dollars in millions)	June 30, 2021	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	\$ 140	\$ -	\$ 140	\$ -
Short-term investments	2,383	-	2,383	-
Long-term investments	568	-	568	-
Equity investment in Chorus	74	74	-	-
Derivative instruments				
Share forward contracts	16	-	16	-
Foreign exchange derivatives	15	-	15	-
Total	\$ 3,196	\$ 74	\$ 3,122	\$ -
Financial Liabilities				
Derivative instruments				
Foreign exchange derivatives	501	-	501	-
Embedded derivative on convertible notes	744	-	744	-
Warrants	100	-	100	-
Total	\$ 1,345	\$ -	\$ 1,345	\$ -

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.

11. 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	
	2021	2020	2021	2020
Canada	\$ 268	\$ 118	\$ 505	\$ 1,062
U.S. Transborder	32	10	61	765
Atlantic	75	49	162	708
Pacific	35	18	51	410
Other	16	12	42	455
	\$ 426	\$ 207	\$ 821	\$ 3,400

Cargo Revenues (Canadian dollars in millions)	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Canada	\$ 25	\$ 18	\$ 49	\$ 37
U.S. Transborder	17	12	28	21
Atlantic	144	84	263	153
Pacific	150	145	258	183
Other	22	10	41	24
	\$ 358	\$ 269	\$ 639	\$ 418

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 refers to flights that cross the Atlantic Ocean with origins and destinations principally in Europe, India, the Middle East and North Africa. Pacific refers 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.

12. SUBSEQUENT EVENT

Launch of Syndication of New Credit Facilities

On July 19, 2021, Air Canada announced that it had launched the syndication of a new senior secured term loan B expected to mature in 2028 (the "Term Loan"), and completed the syndication in respect of a new senior secured revolving facility expected to mature in 2025 (the "Revolving Facility", together with the Term Loan, the "Senior Secured Credit Facilities").

Subject to market and other conditions, Air Canada intends to complete refinancing transactions seeking total gross proceeds of approximately US\$5.35 billion, and which will include the entering into of the Senior Secured Credit Facilities. The proceeds of the Term Loan are intended to fund (i) the refinancing of the Corporation's \$200 million principal amount of its 4.75% senior secured notes due 2023 and \$840 million principal amount of its 9.00% second lien notes due 2024, (ii) the refinancing of the Corporation's indebtedness under the loan agreement dated as of October 6, 2016 and comprised of a syndicated secured US dollar term loan B facility of US\$578 million and a syndicated secured US dollar revolving credit facility of US\$600 million and (iii) working capital and other general corporate purposes of Air Canada and its subsidiaries. The proceeds of the Revolving Facility are intended to fund working capital and other general corporate purposes of Air Canada and its subsidiaries. Air Canada will review multiple funding sources when assessing the aforementioned refinancing transactions.

Closing of the Senior Secured Credit Facilities is expected to occur in the second or third week of August 2021, subject to obtaining lender commitments, market conditions and customary closing conditions.