



**First Quarter 2022**  
**INTERIM UNAUDITED**  
**Condensed Consolidated**  
**Financial Statements and Notes**  
**April 26, 2022**



A STAR ALLIANCE MEMBER 

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

<b>Unaudited (Canadian dollars in millions)</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 3,146	\$ 4,248
Short-term investments	5,443	4,554
Total cash, cash equivalents and short-term investments	8,589	8,802
Restricted cash	199	167
Accounts receivable	819	691
Aircraft fuel inventory	122	122
Spare parts and supplies inventory	107	102
Prepaid expenses and other current assets	232	169
Total current assets	10,068	10,053
Investments, deposits and other assets	915	858
Property and equipment	11,656	11,740
Pension assets	2,698	3,571
Deferred income tax	45	39
Intangible assets	1,069	1,080
Goodwill	3,273	3,273
<b>Total assets</b>	<b>\$ 29,724</b>	<b>\$ 30,614</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 2,361	\$ 2,603
Advance ticket sales	3,483	2,326
Aeroplan and other deferred revenue	1,052	983
Current portion of long-term debt and lease liabilities	1,117	1,012
Total current liabilities	8,013	6,924
Long-term debt and lease liabilities	15,126	15,511
Aeroplan and other deferred revenue	3,497	3,656
Pension and other benefit liabilities	2,156	2,588
Maintenance provisions	1,084	1,032
Other long-term liabilities	934	821
Deferred income tax	73	73
<b>Total liabilities</b>	<b>\$ 30,883</b>	<b>\$ 30,605</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share capital	2,737	2,735
Contributed surplus	105	104
Accumulated other comprehensive loss	(31)	(45)
Deficit	(3,970)	(2,785)
Total shareholders' equity (deficiency)	(1,159)	9
<b>Total liabilities and shareholders' equity</b>	<b>\$ 29,724</b>	<b>\$ 30,614</b>

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

**CONSOLIDATED STATEMENTS OF OPERATIONS**

<b>Unaudited</b> <b>(Canadian dollars in millions except per share figures)</b>	<b>Three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Operating revenues</b>		
Passenger <span style="float: right;">Note 10</span>	\$ 1,917	\$ 395
Cargo <span style="float: right;">Note 10</span>	398	281
Other	258	53
<b>Total revenues</b>	<b>2,573</b>	<b>729</b>
<b>Operating expenses</b>		
Aircraft fuel	750	200
Wages, salaries and benefits	707	528
Regional airlines expense, excluding fuel	316	195
Depreciation and amortization	403	413
Aircraft maintenance <span style="float: right;">Note 2</span>	26	150
Airport and navigation fees	183	98
Sales and distribution costs	108	24
Ground package costs	129	5
Catering and onboard services	64	21
Communications and information technology	116	105
Special items <span style="float: right;">Note 3</span>	4	(127)
Other	317	166
<b>Total operating expenses</b>	<b>3,123</b>	<b>1,778</b>
<b>Operating loss</b>	<b>(550)</b>	<b>(1,049)</b>
<b>Non-operating income (expense)</b>		
Foreign exchange gain	99	67
Interest income	20	21
Interest expense <span style="float: right;">Note 4</span>	(209)	(177)
Interest capitalized	3	4
Net interest relating to employee benefits	4	(4)
Loss on financial instruments recorded at fair value <span style="float: right;">Note 9</span>	(173)	(223)
Loss on debt settlements and modifications <span style="float: right;">Note 4</span>	-	(19)
Other	(8)	(7)
<b>Total non-operating expense</b>	<b>(264)</b>	<b>(338)</b>
<b>Loss before income taxes</b>	<b>(814)</b>	<b>(1,387)</b>
Income tax recovery (expense) <span style="float: right;">Note 5</span>	(160)	83
<b>Net loss for the period</b>	<b>\$ (974)</b>	<b>\$ (1,304)</b>
<b>Net loss per share</b>		
Basic and diluted loss per share <span style="float: right;">Note 7</span>	\$ (2.72)	\$ (3.90)

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

<b>Unaudited (Canadian dollars in millions)</b>	<b>Three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Comprehensive income (loss)</b>		
Net loss for the period	\$ (974)	\$ (1,304)
Other comprehensive income (loss), net of tax expense: <span style="float: right;">Note 5</span>		
Items that will not be reclassified to net income		
Remeasurements on employee benefit liabilities	(211)	404
Remeasurements on equity investments	14	13
<b>Total comprehensive loss</b>	<b>\$ (1,171)</b>	<b>\$ (887)</b>

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)**

<b>Unaudited (Canadian dollars in millions)</b>	<b>Share capital</b>	<b>Contributed surplus</b>	<b>Accumulated OCI</b>	<b>Deficit</b>	<b>Total shareholders' equity (deficiency)</b>
January 1, 2021	\$ 2,150	\$ 98	\$ (39)	\$ (494)	\$ 1,715
Net loss	-	-	-	(1,304)	(1,304)
Remeasurements on employee benefit liabilities	-	-	-	404	404
Remeasurements on equity investments	-	-	13	-	13
Total comprehensive loss	-	-	13	(900)	(887)
Share-based compensation	-	2	-	-	2
Shares issued	79	(5)	-	-	74
March 31, 2021	\$ 2,229	\$ 95	\$ (26)	\$ (1,394)	\$ 904
January 1, 2022	\$ 2,735	\$ 104	\$ (45)	\$ (2,785)	\$ 9
Net loss	-	-	-	(974)	(974)
Remeasurements on employee benefit liabilities	-	-	-	(211)	(211)
Remeasurements on equity investments	-	-	14	-	14
Total comprehensive loss	-	-	14	(1,185)	(1,171)
Share-based compensation	-	2	-	-	2
Shares issued	2	(1)	-	-	1
March 31, 2022	\$ 2,737	\$ 105	\$ (31)	\$ (3,970)	\$ (1,159)

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

**CONSOLIDATED STATEMENTS OF CASH FLOW**

<b>Unaudited (Canadian dollars in millions)</b>	<b>Three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from (used in)</b>		
<b>Operating</b>		
Net loss for the period	\$ (974)	\$ (1,304)
Adjustments to reconcile to net cash from operations		
Deferred income tax <span style="float: right;">Note 5</span>	147	(84)
Depreciation and amortization	403	413
Foreign exchange gain	(114)	(179)
Employee benefit funding less than expense	25	54
Financial instruments recorded at fair value <span style="float: right;">Note 9</span>	173	223
Loss on debt settlements and modifications <span style="float: right;">Note 4</span>	-	19
Change in maintenance provisions	20	(87)
Changes in non-cash working capital balances	727	(4)
Special items <span style="float: right;">Note 3</span>	4	7
Other	(76)	54
<b>Net cash flows from (used in) operating activities</b>	<b>335</b>	<b>(888)</b>
<b>Financing</b>		
Proceeds from borrowings <span style="float: right;">Note 4</span>	38	128
Reduction of long-term debt and lease liabilities <span style="float: right;">Note 4</span>	(231)	(404)
Issue of shares	1	74
Financing fees <span style="float: right;">Note 4</span>	-	(3)
<b>Net cash flows used in financing activities</b>	<b>(192)</b>	<b>(205)</b>
<b>Investing</b>		
Investments, short-term and long-term	(972)	994
Additions to property, equipment and intangible assets	(276)	(280)
Proceeds from sale of assets	3	5
Proceeds from sale and leaseback of assets	-	6
Other	(11)	6
<b>Net cash flows from (used in) investing activities</b>	<b>(1,256)</b>	<b>731</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>11</b>	<b>(18)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(1,102)</b>	<b>(380)</b>
Cash and cash equivalents, beginning of period	4,248	3,658
<b>Cash and cash equivalents, end of period</b>	<b>\$ 3,146</b>	<b>\$ 3,278</b>
<b>Cash payments of interest</b> <span style="float: right;">Note 4</span>	<b>\$ 225</b>	<b>\$ 133</b>
<b>Cash payments of income taxes</b>	<b>\$ 50</b>	<b>\$ 32</b>

*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, 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”).

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 and the rest of the global airline industry have faced significantly lower traffic than in 2019, 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, including in Canada. Conditions have improved and travel restrictions have been lifted in many countries, but Air Canada cannot predict the timing and extent of the return to pre-pandemic levels. The COVID-19 pandemic may continue to have significant economic impacts, including on business and consumer spending and behaviour. This may in turn significantly impact demand for travel. Notably, the return of business travel to pre-pandemic levels may be challenged by the evolving nature of business models and remote-work practices adopted during the COVID-19 pandemic, such as the use of videoconferencing and other remote-work technologies, as well as by interest in more sustainable practices. Air Canada is actively monitoring key indicators relevant to its rebuilding plans and will adjust as required. This will include the evolving impact of the pandemic, such as the course of the virus and its variants, government health measures and other actions, passenger interest and willingness to travel, the complexities of restarting an industry whose many stakeholders must coordinate with each other in doing so, and the timing and extent of recovery in the international and business travel segments. None of these factors 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, primarily due to the high number of leisure travellers and their preference for travel during the spring and summer months. The financial results for the three months ended March 31, 2022 are not necessarily indicative of financial results for the entire year due to the impact of the COVID-19 pandemic, the uncertainty on when conditions will improve, seasonal variations in the demand for air travel, the volatility of aircraft fuel prices and other factors.



## 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, 2021. 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 are based on the accounting policies consistent with those disclosed in Note 2 to the 2021 annual consolidated financial statements.

Recent business developments, which impacted the financial results reported for the first quarter of 2022, include an amended agreement between Air Canada and a third-party maintenance provider. In connection with this, a favourable adjustment of \$159 million was recorded in Aircraft maintenance expense arising from the adjustment to maintenance accruals and the recognition of future credits that will be available under the amended agreement. Given the significantly reduced aircraft operations and fleet reductions during the COVID-19 pandemic, this agreement was amended by the parties to convert the nature of the services from a power-by-the-hour basis to a time and materials contract and to reduce the number of items covered under the agreement. Until the contract amendment was completed, cost accruals continued on the previous contract basis.

These financial statements were approved for issue by the Board of Directors of the Corporation on April 25, 2022.

### 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:

<b>(Canadian dollars in millions)</b>	<b>Three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Impairments	\$ 4	\$ 20
Government wage subsidy, net	-	(163)
Workforce reduction provisions	-	2
Other	-	14
<b>Special items</b>	<b>\$ 4</b>	<b>\$ (127)</b>

#### **Impairments**

In the first quarter of 2021, an impairment charge of \$20 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. An impairment charge of \$4 million was recorded in the first quarter of 2022 related to the return of leased aircraft. Further changes to these estimates may result in additional adjustments to the impairment charge in future periods.

#### **Government wage subsidy**

For information on the Corporation's participation in the Canada Emergency Wage Subsidy ("CEWS") program, refer to Note 4 of the 2021 annual consolidated financial statements.

No wage subsidy was recorded in the first quarter of 2022 as the Corporation no longer qualified under the amended/new programs (gross subsidy of \$166 million in the first quarter of 2021; \$163 million net of costs). Cash payments of \$156 million were received in the first quarter of 2021.

#### **Other**

##### Termination of the Transat Arrangement Agreement

In April 2021, Air Canada announced that the arrangement agreement for the proposed acquisition by Air Canada of Transat A.T. Inc ("Transat") was terminated, including the payment of a \$12.5 million termination fee to Transat. The termination fee was recorded as a Special item during the first quarter of 2021.

##### 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 flights under the Air Canada Express brand. Through the revised agreement, Air Canada transferred the operation of its Embraer E175 fleet to Jazz from Sky Regional and Jazz became the sole operator of flights under the Air Canada Express brand. 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.



#### 4. LONG-TERM DEBT AND LEASE LIABILITIES

	<b>Final Maturity</b>	<b>Weighted Average Interest Rate (%)</b>	<b>March 31, 2022 (Canadian dollars in millions)</b>	<b>December 31, 2021 (Canadian dollars in millions)</b>
Aircraft financing				
Fixed rate U.S. dollar financing	2023 – 2030	4.90	\$ 3,374	\$ 3,471
Floating rate U.S. dollar financing	2026 – 2027	2.87	408	427
Fixed rate CDN dollar financing	2026 – 2030	3.78	206	206
Floating rate CDN dollar financing	2026 – 2033	2.76	1,176	1,169
Fixed rate Japanese yen financing	2027	1.84	121	129
Floating rate Japanese yen financing			-	2
Convertible notes	2025	4.00	728	723
Credit facility – CDN dollar	2028	1.21	1,027	1,018
Senior secured notes – CDN dollar	2029	4.63	2,000	2,000
Senior secured notes – U.S. dollar	2026	3.88	1,501	1,516
Senior secured credit facility – U.S. dollar	2028	4.25	2,876	2,907
<b>Long-term debt</b>		<b>3.98</b>	<b>13,417</b>	<b>13,568</b>
Lease liabilities				
Air Canada aircraft	2022 – 2031	4.87	1,696	1,792
Regional aircraft	2023 – 2035	6.03	945	981
Land and buildings	2022 – 2078	5.27	400	406
<b>Lease liabilities</b>		<b>5.28</b>	<b>3,041</b>	<b>3,179</b>
<b>Total debt and lease liabilities</b>		<b>4.22</b>	<b>16,458</b>	<b>16,747</b>
Unamortized debt issuance costs and discounts			(215)	(224)
Current portion – Long-term debt			(617)	(511)
Current portion – Air Canada aircraft			(307)	(310)
Current portion – Regional aircraft			(168)	(166)
Current portion – Land and buildings			(25)	(25)
<b>Long-term debt and lease liabilities</b>			<b>\$ 15,126</b>	<b>\$ 15,511</b>

The above table provides terms of instruments disclosed in Note 10 to the 2021 annual consolidated financial statements of the Corporation as well as updated terms concluded during the three months ended March 31, 2022 and described below.

In the first quarter of 2022, Air Canada drew on financing for one additional Airbus A220 aircraft under the secured facility described in Note 10(a) to its 2021 annual consolidated financial statements and the amount of such draw is included in Aircraft financing in the above table. Financing remains available for an additional six Airbus A220 aircraft under this facility.

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 had 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 in the first quarter of 2021. The US\$600 million revolving credit facility was repaid in August 2021 in connection with the financing described in Note 10(d) to the 2021 annual consolidated financial statements of the Corporation and the \$200 million revolving credit facility was repaid in August 2021. Following subsequent extensions that occurred in 2021, the US\$600 million revolving credit facility matures in 2025 and the \$200 million revolving credit facility matures in 2024.

The Corporation has recorded Interest expense as follows:

<b>(Canadian dollars in millions)</b>	<b>Three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Interest on debt	\$ 169	\$ 131
Interest on lease liabilities		
Air Canada aircraft	21	24
Regional aircraft	14	17
Land and buildings	5	5
<b>Interest expense</b>	<b>\$ 209</b>	<b>\$ 177</b>

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.

<b>(Canadian dollars in millions)</b>	<b>Three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term leases	\$ 5	\$ 4
Variable lease payments not included in lease liabilities	8	7
<b>Expense related to leases (included in Other operating expenses)</b>	<b>\$ 13</b>	<b>\$ 11</b>

Total cash outflows for payments on lease liabilities was \$161 million for the three months ended March 31, 2022 (\$190 million for the three months ended March 31, 2021), of which \$121 million was for principal repayments (\$144 million for the three months ended March 31, 2021).

**Maturity Analysis**

Principal and interest repayment requirements as at March 31, 2022 on Long-term debt and lease liabilities are as follows. U.S. dollar amounts are converted using the March 31, 2022 closing rate of CDN\$1.2505.

<b>Principal</b> (Canadian dollars in millions)	<b>Remainder of 2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>Thereafter</b>	<b>Total</b>
Long-term debt obligations <sup>(1)</sup>	\$ 402	\$ 658	\$ 482	\$ 1,767	\$ 2,350	\$ 8,211	<b>\$ 13,870</b>
Air Canada aircraft	232	295	286	271	222	390	<b>1,696</b>
Regional aircraft	127	165	138	124	43	348	<b>945</b>
Land and buildings	19	23	23	23	23	289	<b>400</b>
Lease liabilities	\$ 378	\$ 483	\$ 447	\$ 418	\$ 288	\$ 1,027	<b>\$ 3,041</b>
<b>Total long-term debt and lease liabilities</b>	<b>\$ 780</b>	<b>\$ 1,141</b>	<b>\$ 929</b>	<b>\$ 2,185</b>	<b>\$ 2,638</b>	<b>\$ 9,238</b>	<b>\$ 16,911</b>

<b>Interest</b> (Canadian dollars in millions)	<b>Remainder of 2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>Thereafter</b>	<b>Total</b>
Long-term debt obligations <sup>(1)</sup>	\$ 359	\$ 521	\$ 499	\$ 474	\$ 396	\$ 673	<b>\$ 2,922</b>
Air Canada aircraft	56	62	49	36	24	24	<b>251</b>
Regional aircraft	39	43	32	24	18	83	<b>239</b>
Land and buildings	15	19	18	17	16	193	<b>278</b>
Lease liabilities	\$ 110	\$ 124	\$ 99	\$ 77	\$ 58	\$ 300	<b>\$ 768</b>
<b>Total long-term debt and lease liabilities</b>	<b>\$ 469</b>	<b>\$ 645</b>	<b>\$ 598</b>	<b>\$ 551</b>	<b>\$ 454</b>	<b>\$ 973</b>	<b>\$ 3,690</b>

*(1) Assumes the principal balance of the convertible notes, \$935 million (US\$748 million) remains unconverted and includes estimated interest payable until maturity in 2025. The full principal balance of \$1,273 million for the unsecured credit facility accessed in 2021 to support customers refunds of non-refundable tickets is included.*

Principal repayments in the table above exclude discounts and transaction costs of \$215 million, which are offset against Long-term debt and lease liabilities in the consolidated statement of financial position.

**Cash flows from financing activities**

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

(Canadian dollars in millions)	Cash Flows				Non-Cash Changes			Mar. 31, 2022
	Dec. 31, 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	\$ 13,568	\$ 38	\$ (110)	\$ -	\$ (104)	\$ 25	\$ -	\$ 13,417
Air Canada aircraft	1,792	-	(75)	-	(17)	-	(4)	1,696
Regional aircraft	981	-	(40)	-	(10)	-	14	945
Land and buildings	406	-	(6)	-	(1)	-	1	400
Lease liabilities	3,179	-	(121)	-	(28)	-	11	3,041
Unamortized debt issuance costs	(224)	-	-	-	-	9	-	(215)
<b>Total liabilities from financing activities</b>	<b>\$ 16,523</b>	<b>\$ 38</b>	<b>\$ (231)</b>	<b>\$ -</b>	<b>\$ (132)</b>	<b>\$ 34</b>	<b>\$ 11</b>	<b>\$ 16,243</b>

## 5. INCOME TAXES

### **Income Tax Recovery (Expense)**

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

<b>(Canadian dollars in millions)</b>	<b>Three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Current income tax (expense)	\$ (13)	\$ (1)
Deferred income tax recovery (expense)	(147)	84
<b>Income tax recovery (expense)</b>	<b>\$ (160)</b>	<b>\$ 83</b>

The Corporation's statutory tax rate for the three months ended March 31, 2022 was 26.47% (26.47% for the three months ended March 31, 2021).

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

<b>(Canadian dollars in millions)</b>	<b>Three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Remeasurements on employee benefit liabilities		
- current income tax (expense)	\$ (2)	\$ (4)
- deferred income tax recovery (expense)	153	(80)
<b>Income tax recovery (expense)</b>	<b>\$ 151</b>	<b>\$ (84)</b>

## 6. SHARE CAPITAL

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

	<b>March 31, 2022</b>	<b>December 31, 2021</b>
<b>Issued and outstanding</b>		
Class A variable voting shares	72,624,944	82,897,507
Class B voting shares	285,340,328	274,944,350
<b>Total issued and outstanding</b>	<b>357,965,272</b>	<b>357,841,857</b>
<b>Potential shares</b>		
Convertible notes	48,687,441	48,687,441
Warrants	-	7,288,282
Stock options	5,445,932	4,330,993
<b>Total outstanding and potentially issuable shares</b>	<b>412,098,645</b>	<b>418,148,573</b>

In November 2021, Air Canada exercised its call right to purchase and cancel the 7,288,282 vested warrants at fair market value of \$82 million, with settlement completed in January 2022.

## 7. LOSS PER SHARE

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

<b>(in millions, except per share amounts)</b>	<b>Three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Numerator:</b>		
<b>Net loss for the period</b>	<b>\$ (974)</b>	<b>\$ (1,304)</b>
Effect of assumed conversion of convertible notes	141	201
Remove anti-dilutive impact	(141)	(201)
<b>Adjusted numerator for diluted loss per share</b>	<b>\$ (974)</b>	<b>\$ (1,304)</b>
<b>Denominator:</b>		
<b>Weighted-average shares</b>	<b>358</b>	<b>335</b>
Effect of potential dilutive securities:		
Stock options	-	1
Convertible notes	49	49
Remove anti-dilutive impact	(49)	(50)
<b>Adjusted denominator for diluted loss per share</b>	<b>358</b>	<b>335</b>
<b>Basic and diluted loss per share</b>	<b>\$ (2.72)</b>	<b>\$ (3.90)</b>

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.

## 8. 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 March 31, 2022. U.S. dollar amounts are converted using the March 31, 2022 closing rate of CDN\$1.2505. Minimum future commitments under these contractual arrangements are shown below. They include the acquisition of 30 Airbus A321XLR aircraft, which Air Canada announced in 2022. Deliveries are to begin in 2024 with the final aircraft to arrive in 2027. The acquisitions include 20 aircraft leased with lessors and 10 to be purchased under an agreement with Airbus S.A.S. The amounts related to the periodic lease payments on the 20 leases is included for the periods noted.

(Canadian dollars in millions)	Remainder of 2022	2023	2024	2025	2026	Thereafter	Total
Capital commitments	\$ 1,044	\$ 617	\$ 697	\$ 602	\$ 885	\$ 1,840	<b>\$ 5,685</b>



## 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Refer also to Note 18 to the 2021 annual consolidated financial statements for information on the Corporation's risk management strategy.

### Summary of loss on financial instruments recorded at fair value

(Canadian dollars in millions)	Three months ended March 31	
	2022	2021
Embedded derivative on convertible notes	\$ (125)	\$ (187)
Short-term investments	(49)	(39)
Share forward contracts	1	3
<b>Loss on financial instruments recorded at fair value</b>	<b>\$ (173)</b>	<b>\$ (223)</b>

### 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 March 31, 2022, unrestricted liquidity was \$10,162 million comprised of Cash and cash equivalents, Short-term and Long-term investments of \$9,212 million, and \$950 million available under undrawn credit facilities.

### Foreign Exchange Risk Management

Based on the notional amount of currency derivatives outstanding at March 31, 2022, as further described below, approximately 60% of net U.S. cash outflows are hedged for the remainder of 2022 and 38% for 2023, resulting in derivative coverage of 51% 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 March 31, 2022, the Corporation had outstanding foreign currency options and swap agreements, settling in 2022 and 2023, to purchase at maturity \$2,924 million (US\$2,342 million) of U.S. dollars at a weighted average rate of \$1.2748 per \$1.00 U.S. dollar (as at December 31, 2021 – \$2,423 million (US\$1,925 million) with settlements in 2022 and 2023 at a weighted average rate of \$1.2742 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 €182 million, GBP £128 million, JPY ¥8,014 million, CNH ¥203 million, and AUD \$38 million) which settle in 2022 and 2023 at weighted average rates of €1.1561, £1.3875, ¥0.0085, ¥0.1578, and \$0.7665 per \$1.00 U.S. dollar respectively (as at December 31, 2021 - EUR €260 million, GBP £56 million, JPY ¥4,577 million, CNH ¥31 million and AUD \$36 million with settlement in 2022 and 2023 at weighted average rates of €1.1704, £1.4125, ¥0.0092, ¥0.1471, and \$0.7300 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 March 31, 2022 was \$297 million in favour of the counterparties (as at December 31, 2021 – \$268 million in favour of the counterparties). These derivative instruments have not been designated as hedges for accounting purposes and are recorded at fair value. During the first quarter of 2022, foreign exchange gain (loss) related to these derivatives was \$39 million loss (\$73 million loss in the first quarter of 2021). In the first quarter of 2022, foreign

exchange derivative contracts cash settled with a net fair value of \$10 million in favour of the counterparties (\$121 million in the first quarter of 2021 in favour of the counterparties).

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 March 31, 2022 amounted to \$1,171 million (US\$930 million) (\$1,403 million (US\$1,110 million) as at December 31, 2021). During the three months ended March 31, 2022, a gain of \$2 million (three months ended March 31, 2021 – loss of \$21 million) 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. Cash equivalents and Short and Long-term investments are classified as held for trading and therefore are recorded at fair value.

The carrying amounts of derivatives are equal to their fair value, which is based on the amount at which they could be settled based on estimated market rates as at March 31, 2022.

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 \$13,237 million compared to its carrying value of \$13,417 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 18 to the 2021 annual consolidated financial statements. There were no transfers within the fair value hierarchy during the three months ended March 31, 2022.

(Canadian dollars in millions)	Fair value measurements at reporting date using:			
	March 31, 2022	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Financial Assets</b>				
Held-for-trading securities				
Cash equivalents	\$ 389	\$ -	\$ 389	\$ -
Short-term investments	5,443	-	5,443	-
Long-term investments	623	-	623	-
Equity investment in Chorus	66	66	-	-
Derivative instruments				
Share forward contracts	8	-	8	-
<b>Total</b>	<b>\$ 6,529</b>	<b>\$ 66</b>	<b>\$ 6,463</b>	<b>\$ -</b>
<b>Financial Liabilities</b>				
Derivative instruments				
Foreign exchange derivatives	297	-	297	-
Embedded derivative on convertible notes	704	-	704	-
<b>Total</b>	<b>\$ 1,001</b>	<b>\$ -</b>	<b>\$ 1,001</b>	<b>\$ -</b>

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:

<b>Passenger Revenues</b> (Canadian dollars in millions)	<b>Three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Canada	\$ 648	\$ 237
U.S. Transborder	425	29
Atlantic	464	87
Pacific	98	16
Other	282	26
	<b>\$ 1,917</b>	<b>\$ 395</b>

<b>Cargo Revenues</b> (Canadian dollars in millions)	<b>Three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Canada	\$ 30	\$ 24
U.S. Transborder	13	11
Atlantic	124	119
Pacific	194	108
Other	37	19
	<b>\$ 398</b>	<b>\$ 281</b>

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.