First Quarter 2020

INTERIM UNAUDITED
Condensed Consolidated
Financial Statements and Notes

May 4, 2020

AIR CANADA

A STAR ALLIANCE MEMBER

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited (Canadian dollars in millions)		**March 31, 2020**	**December 31, 2019**
ASSETS			
Current			
Cash and cash equivalents		$ 2,588	$ 2,090
Short-term investments		3,540	3,799
Total cash, cash equivalents and short-term investments		6,128	5,889
Restricted cash		103	157
Accounts receivable		567	926
Aircraft fuel inventory		93	102
Spare parts and supplies inventory		120	110
Prepaid expenses and other current assets		267	332
Total current assets		7,278	7,516
Investments, deposits and other assets		711	936
Property and equipment	Note 4	12,872	12,834
Pension assets		3,112	2,064
Deferred income tax		37	134
Intangible assets		1,053	1,002
Goodwill		3,273	3,273
Total assets		**$ 28,336**	**$ 27,759**
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 2,260	$ 2,456
Advance ticket sales		2,614	2,939
Aeroplan and other deferred revenue		511	1,162
Current portion of long-term debt and lease liabilities	Note 5	1,043	1,218
Total current liabilities		6,428	7,775
Long-term debt and lease liabilities	Note 5	9,650	8,024
Aeroplan and other deferred revenue		3,863	3,136
Pension and other benefit liabilities		2,547	2,930
Maintenance provisions		1,275	1,240
Other long-term liabilities		136	181
Deferred income tax		176	73
Total liabilities		**$ 24,075**	**$ 23,359**
SHAREHOLDERS' EQUITY			
Share capital		778	785
Contributed surplus		87	83
Accumulated other comprehensive income (loss)		(51)	25
Retained earnings		3,447	3,507
Total shareholders' equity		4,261	4,400
Total liabilities and shareholders' equity		**$ 28,336**	**$ 27,759**

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

CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited (Canadian dollars in millions except per share figures)		**Three months ended March 31 2020**	**2019**
Operating revenues			
Passenger	Note 11	$ 3,193	$ 3,797
Cargo	Note 11	149	177
Other		380	460
Total revenues		**3,722**	**4,434**
Operating expenses			
Aircraft fuel		836	997
Wages, salaries and benefits		796	799
Regional airlines expense, excluding fuel		471	475
Depreciation and amortization	Note 4	504	456
Aircraft maintenance		270	245
Airport and navigation fees		228	228
Sales and distribution costs		183	213
Ground package costs		234	294
Catering and onboard services		97	103
Communications and information technology		135	101
Other		401	396
Total operating expenses		**4,155**	**4,307**
Operating income (loss)		**(433)**	**127**
Non-operating income (expense)			
Foreign exchange gain (loss)		(711)	263
Interest income		42	38
Interest expense	Note 5	(129)	(133)
Interest capitalized		8	8
Net financing expense relating to employee benefits		(11)	(10)
Gain (loss) on financial instruments recorded at fair value	Note 10	(34)	8
Other		(8)	(16)
Total non-operating income (expense)		**(843)**	**158**
Income (loss) before income taxes		**(1,276)**	**285**
Income tax recovery	Note 6	227	60
Net income (loss) for the period		**$ (1,049)**	**$ 345**
Net income (loss) per share	Note 8		
Basic earnings (loss) per share		$ (4.00)	$ 1.27
Diluted earnings (loss) per share		$ (4.00)	$ 1.26

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Unaudited (Canadian dollars in millions)		**Three months ended March 31 2020**	**2019**
Comprehensive income (loss)			
Net income (loss) for the period		$ (1,049)	$ 345
Other comprehensive income (loss), net of tax expense:			
Items that will not be reclassified to net income			
Remeasurements on employee benefit liabilities	Note 6	1,108	(296)
Remeasurements on equity investments	Note 6	(76)	11
Total comprehensive income (loss)		**$ (17)**	**$ 60**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited (Canadian dollars in millions)	**Share capital**	**Contributed surplus**	**Accumulated OCI**	**Retained earnings**	**Total shareholders' equity**
January 1, 2019	$ 798	$ 75	$ –	$ 2,404	$ 3,277
Net income (loss)	–	–	–	345	345
Remeasurements on employee benefit liabilities	–	–	–	(296)	(296)
Remeasurements on equity investments	–	–	11	–	11
Total comprehensive income (loss)	–	–	11	49	60
Share-based compensation	–	2	–	–	2
Shares issued	1	–	–	–	1
Shares purchased and cancelled under issuer bid	(5)	–	–	(46)	(51)
March 31, 2019	$ 794	$ 77	$ 11	$ 2,407	$ 3,289
January 1, 2020	$ 785	$ 83	$ 25	$ 3,507	$ 4,400
Net income (loss)	–	–	–	(1,049)	(1,049)
Remeasurements on employee benefit liabilities	–	–	–	1,108	1,108
Remeasurements on equity investments	–	–	(76)	–	(76)
Total comprehensive income (loss)	–	–	(76)	59	(17)
Share-based compensation	–	4	–	–	4
Shares issued	1	–	–	–	1
Shares purchased and cancelled under issuer bid	(8)	–	–	(119)	(127)
March 31, 2020	$ 778	$ 87	$ (51)	$ 3,447	$ 4,261

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

CONSOLIDATED STATEMENTS OF CASH FLOW

Unaudited (Canadian dollars in millions)		**Three months ended March 31 2020**	**2019**
Cash flows from (used for)			
Operating			
Net income (loss) for the period		$ (1,049)	$ 345
Adjustments to reconcile to net cash from operations			
Deferred income tax		(196)	(74)
Depreciation and amortization		504	456
Foreign exchange (gain) loss		737	(241)
Card agreement proceeds	Note 12	-	1,212
Aeroplan Miles prepayment proceeds	Note 12	-	400
Employee benefit funding less than expense		74	61
Financial instruments recorded at fair value	Note 10	34	(22)
Change in maintenance provisions		53	43
Changes in non-cash working capital balances		(98)	938
Other		(79)	(7)
Net cash flows from (used in) operating activities		**(20)**	**3,111**
Financing			
Proceeds from borrowings	Note 5	1,027	-
Reduction of long-term debt and lease obligations		(509)	(252)
Shares purchased for cancellation	Note 7	(132)	(51)
Issue of shares		1	1
Net cash flows from (used in) financing activities		**387**	**(302)**
Investing			
Investments, short-term and long-term		408	(380)
Additions to property, equipment and intangible assets		(373)	(920)
Proceeds from sale of assets		2	2
Acquisition of Aeroplan	Note 12	-	(497)
Investment in Chorus	Note 13	-	(97)
Other		31	36
Net cash flows from (used in) investing activities		**68**	**(1,856)**
Effect of exchange rate changes on cash and cash equivalents		**63**	**(1)**
Increase in cash and cash equivalents		**498**	**952**
Cash and cash equivalents, beginning of period		2,090	630
Cash and cash equivalents, end of period		**$ 2,588**	**$ 1,582**

Cash payments of interest	Note 5	**$ 110**	**$ 122**
Cash payments of income taxes		**$ 91**	**$ 7**

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 rest of the global airline industry, is facing a severe and abrupt drop in traffic and a corresponding decline in revenue as a result of the coronavirus ("COVID-19") pandemic and the travel restrictions imposed in many countries around the world, including Canada and the United States. The impact of the COVID-19 pandemic began to be felt in traffic and sales figures commencing in early March 2020. These impacts include drastic declines in earnings and cash from operations. There is very limited visibility on travel demand given government restrictions in place; these restrictions and concerns about travel due to the COVID-19 virus and passenger expectations about the need for certain precautions such as physical distancing are severely inhibiting demand. Air Canada cannot predict the full impact or the timing for when conditions 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, government actions, and passenger reaction, none of which can be predicted with any degree of certainty. Refer to Note 10 for information on financing activities and other actions taken in response to the COVID-19 crisis. Refer to Note 3 for considerations related to critical accounting estimates and judgments updated to reflect the currently known impact of the COVID-19 pandemic.

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 2020, with demand being considerably depressed; certain revenues, expenses, and balance sheet items tied directly to sales and operating activities will be considerably impacted by the drop in traffic. Air Canada has reduced second quarter 2020 capacity significantly when compared to 2019's second quarter, and given the lack of visibility of expected demand, capacity for the summer period cannot yet be established with any sufficient degree of confidence. The airline continues to dynamically adjust capacity as required. The Corporation has 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, 2019. 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 May 3, 2020.

These financial statements are based on the accounting policies consistent with those disclosed in Note 2 to the 2019 annual consolidated financial statements.

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year. Aircraft fuel expense related to regional airline operations is now presented within Aircraft fuel on the consolidated statement of operations. Previously included in Regional airlines expense, this reclassification provides improved presentation of the total cost of fuel associated with the Corporation's operations.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The significant estimates and judgments made are reviewed on an ongoing basis. Refer to Note 3 to the 2019 annual consolidated financial statements which is updated as described below to reflect the currently known impact of the COVID-19 pandemic which continues to fluidly evolve.

Goodwill

An assessment of goodwill was performed based on triggering events at period end. The assessment resulted in a carrying value greater than the market capitalization prior to considering the impact of any control premium. The minimum control premium required for the recoverable amount to equal the carrying value was 7.6% and is within management's estimate of a reasonable control premium; accordingly, no impairment charge was recorded.

Impairment considerations on long-lived assets

An assessment of the recoverable amount of the Corporation's cash-generating units ("CGUs") compared to their carrying values was performed based on updated cash flow projections in light of the current COVID-19 pandemic. The cash flows are management's best projections based on current and anticipated market conditions covering a five-year period. However, these projections are inherently uncertain due to the recent and fluidly evolving impact of the COVID-19 pandemic. It is possible that long-term underperformance to these projections could occur if passenger demand drops and travel restrictions continue to prevail with duration and impact greater than currently anticipated. Reasonably possible changes in projections have been considered in this evaluation but do not indicate that the carrying amounts exceed recoverable amounts.

The COVID-19 pandemic and its impact on the economy is constantly evolving in an unpredictable manner and presents many variables and contingencies for modeling. In future periods, the effects of the pandemic may have material impacts on the Corporation's anticipated revenue levels and the recoverable amount of the CGUs.

4. PROPERTY AND EQUIPMENT

(Canadian dollars in millions)	March 31, 2020 Cost	March 31, 2020 Accumulated depreciation	March 31, 2020 Net book value	December 31, 2019 Cost	December 31, 2019 Accumulated depreciation	December 31, 2019 Net book value
Owned tangible assets						
Aircraft and flight equipment	$ 13,215	$ 4,843	$ 8,372	$ 12,920	$ 4,616	$ 8,304
Buildings and leasehold improvements	1,014	514	500	923	501	422
Ground and other equipment	647	404	243	640	395	245
Purchase deposits and assets under development	887	-	887	1,041	-	1,041
Owned tangible assets	**$ 15,763**	**$ 5,761**	**$ 10,002**	**$ 15,524**	**$ 5,512**	**$ 10,012**
Air Canada aircraft	$ 5,222	$ 3,409	$ 1,813	$ 5,055	$ 3,282	$ 1,773
Regional aircraft	1,884	1,169	715	1,893	1,135	758
Land and buildings	506	164	342	447	156	291
Right-of-use assets	**$ 7,612**	**$ 4,742**	**$ 2,870**	**$ 7,395**	**$ 4,573**	**$ 2,822**
Property and equipment	**$ 23,375**	**$ 10,503**	**$ 12,872**	**$ 22,919**	**$ 10,085**	**$ 12,834**

Additions to owned aircraft in the first quarter of 2020 include three new Airbus A220 aircraft.

Depreciation and amortization recorded in the consolidated statement of operations is detailed as follows.

(Canadian dollars in millions)	Three months ended March 31 2020	Three months ended March 31 2019
Aircraft and flight equipment	$ 240	$ 224
Buildings and leasehold improvements	13	11
Ground and other equipment	11	9
Owned tangible assets	**264**	**244**
Air Canada aircraft	144	122
Regional aircraft	46	45
Land and buildings	8	6
Right-of-use assets	**198**	**173**
Property and equipment	**462**	**417**
Spare parts and supplies inventory	17	21
Intangible assets	25	18
Depreciation and amortization	**$ 504**	**$ 456**

5. LONG-TERM DEBT AND LEASE LIABILITIES

	Final Maturity	Weighted Average Interest Rate (%)	March 31, 2020 (Canadian dollars in millions)	December 31, 2019 (Canadian dollars in millions)
Aircraft financing				
Fixed rate U.S. dollar financing	2021 – 2030	3.75	$ 3,140	$ 3,200
Floating rate U.S. dollar financing	2026 – 2027	3.29	573	544
Fixed rate CDN dollar financing	2026 – 2030	3.78	259	259
Floating rate CDN dollar financing	2026 – 2027	2.53	255	264
Fixed rate Japanese yen financing	2027	1.84	154	141
Floating rate Japanese yen financing	2027	3.08	7	8
Senior secured notes – CDN dollar	2023	4.75	200	200
Senior unsecured notes – U.S. dollar	2021	7.75	562	520
Other secured financing – U.S. dollar	2023	2.52	1,644	737
Other secured financing – CDN dollar	2022	3.61	199	-
Long-term debt		**3.68**	**6,993**	**5,873**
Lease liabilities				
Air Canada aircraft	2020 – 2029	6.02	2,147	1,924
Regional aircraft	2020 – 2035	7.04	1,200	1,149
Land and buildings	2020 – 2078	5.28	440	386
Lease liabilities		**6.26**	**3,787**	**3,459**
Total debt and lease liabilities		**4.59**	**10,780**	**9,332**
Unamortized debt issuance costs			(87)	(90)
Current portion – Long-term debt			(375)	(587)
Current portion – Air Canada aircraft			(442)	(418)
Current portion – Regional aircraft			(198)	(185)
Current portion – Land and buildings			(28)	(28)
Long-term debt and lease liabilities			**$ 9,650**	**$ 8,024**

The above table provides terms of instruments disclosed in Note 10 to the 2019 annual consolidated financial statements of the Corporation.

In March 2020, Air Canada drew down in full on its US$600 million revolving credit facility and its Canadian $200 million revolving credit facility (interest rate of 175 basis points over LIBOR and Bankers Acceptances plus 2%, respectively). The facilities are described further in Note 10b of the 2019 annual consolidated financial statements. These debt balances are included in Other secured financing in the table above.

Refer to Note 10 for information on financing completed in April 2020.

The Corporation has recorded Interest expense as follows:

(Canadian dollars in millions)	Three months ended March 31 2020	Three months ended March 31 2019
Interest on debt	$ 74	$ 72
Interest on lease liabilities		
Air Canada aircraft	30	34
Regional aircraft	20	22
Land and buildings	5	5
Interest expense	**$ 129**	**$ 133**

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

(Canadian dollars in millions)	Three months ended March 31 2020	Three months ended March 31 2019
Expense related to leases (included in Other operating expenses)		
Short-term leases	$ 20	$ 11
Variable lease payments not included in lease liabilities	7	7
	$ 27	**$ 18**

Total cash outflows for payments on lease liabilities was $213 million for the three months ended March 31, 2020 ($210 million for the three months ended March 31, 2019), of which $158 million was for principal repayments ($149 million for the three months ended March 31, 2019).

Maturity Analysis

Principal and interest repayment requirements as at March 31, 2020 on Long-term debt and lease liabilities are as follows. U.S. dollar amounts are converted using the March 31, 2020 closing rate of CDN$1.4062.

Principal **(Canadian dollars in millions)**	**Remainder of 2020**	**2021**	**2022**	**2023**	**2024**	**Thereafter**	**Total**
Long-term debt obligations	$ 276	$ 1,028	$ 549	$ 2,330	$ 311	$ 2,499	$ 6,993
Air Canada aircraft	346	344	268	259	247	683	2,147
Regional aircraft	157	181	176	178	148	360	1,200
Land and buildings	22	24	24	22	22	326	440
Lease liabilities	$ 525	$ 549	$ 468	$ 459	$ 417	$ 1,369	$ 3,787
Total long-term debt and lease liabilities	**$ 801**	**$ 1,577**	**$ 1,017**	**$ 2,789**	**$ 728**	**$ 3,868**	**$ 10,780**

Interest **(Canadian dollars in millions)**	**Remainder of 2020**	**2021**	**2022**	**2023**	**2024**	**Thereafter**	**Total**
Long-term debt obligations	$ 198	$ 218	$ 181	$ 146	$ 92	$ 252	**$** 1,087
Air Canada aircraft	84	86	67	53	40	57	387
Regional aircraft	58	64	52	39	27	77	317
Land and buildings	17	21	20	19	17	223	317
Lease liabilities	$ 159	$ 171	$ 139	$ 111	$ 84	$ 357	$ 1,021
Total long-term debt and lease liabilities	**$ 357**	**$ 389**	**$ 320**	**$ 257**	**$ 176**	**$ 609**	**$ 2,108**

The Corporation is committed to additional aircraft and property leases which have yet to commence. The total commitment is approximately $53 million based on estimates regarding timing of deliveries and rent. The aircraft lease terms are 8 years and the properties are 20-year leases.

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.

		Cash Flows			Non-Cash Changes			
(Canadian dollars in millions)	**Dec. 31, 2019**	**Borrowings**	**Repayments**	**Financing fees**	**Foreign exchange adjustments**	**Amortization of financing fees and other adjustments**	**New lease liabilities (new and renewed contracts)**	**Mar. 31, 2020**
Long-term debt	$ 5,873	$ 1,027	$ (351)	$ -	$ 440	$ 4	$ -	$ 6,993
Air Canada aircraft	1,924	-	(110)	-	158	-	175	2,147
Regional aircraft	1,149	-	(41)	-	92	-	-	1,200
Land and buildings	386	-	(7)	-	2	-	59	440
Lease liabilities	3,459	-	(158)	-	252	-	234	3,787
Unamortized debt issuance costs	(90)	-	-	-	-	3	-	(87)
Total liabilities from financing activities	**$ 9,242**	**$ 1,027**	**$ (509)**	**$ -**	**$ 692**	**$ 7**	**$ 234**	**$ 10,693**

6. INCOME TAXES

Income Tax Expense

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

(Canadian dollars in millions)	Three months ended March 31 2020	Three months ended March 31 2019
Current income tax recovery (expense)	$ 31	$ (14)
Deferred income tax	196	74
Income tax recovery	**$ 227**	**$ 60**

The Corporation's effective tax rate for the three months ended March 31, 2020 was 17.7% (21.1% for the three months ended March 31, 2019). The income tax recovery position in the first quarter of 2019 arose as a result of a permanent item in connection with the Aeroplan acquisition discussed in Note 12.

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

(Canadian dollars in millions)	Three months ended March 31 2020	Three months ended March 31 2019
Remeasurements on employee benefit liabilities – deferred income tax	$ (400)	$ 107
Remeasurements on equity investments – deferred income tax	4	(4)
Income tax (expense) recovery	**$ (396)**	**$ 103**

7. SHARE CAPITAL

Issuer Bid

In May 2019, Air Canada received approval from the Toronto Stock Exchange for the renewal of its normal course issuer bid for its Class A variable voting shares and Class B voting shares (collectively the "shares"), authorizing, between May 31, 2019 and May 30, 2020, the purchase of up to 24,130,551 shares, representing 10% of Air Canada's public float as at May 17, 2019. The renewal followed the conclusion of the 2018 normal course issuer bid which expired on May 30, 2019.

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. In response to the COVID-19 pandemic, purchases under the share repurchase program were suspended in March 2020.

In the first quarter of 2019, the Corporation purchased, for cancellation, a total of 1,544,487 shares at an average cost of $33.09 per share for aggregate consideration of $51 million. The excess of the cost over the average book value of $46 million was charged to Retained earnings.

8. EARNINGS PER SHARE

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

	Three months ended March 31	
(Canadian dollars in millions, except per share amounts)	**2020**	**2019**
Numerator:		
Numerator for basic and diluted earnings per share:		
Net income (loss) for the period	$ (1,049)	$ 345
Denominator:		
Weighted-average shares	263	271
Effect of potential dilutive securities:		
Stock options	2	3
Total potential dilutive securities	2	3
Remove anti-dilutive impact	(2)	-
Adjusted denominator for diluted earnings (loss) per share	**263**	**274**
Basic earnings (loss) per share	**$ (4.00)**	**$ 1.27**
Diluted earnings (loss) per share	**$ (4.00)**	**$ 1.26**

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

Excluded from the calculation of diluted earnings per share were outstanding options where the options' 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 March 31, 2020. U.S. dollar amounts are converted using the March 31, 2020 closing rate of CDN$1.4062. Minimum future commitments under these contractual arrangements are shown below.

(Canadian dollars in millions)	Remainder of 2020	2021	2022	2023	2024	Thereafter	Total
Capital commitments	$ 1,085	$ 2,030	$ 1,023	$ 196	$ -	$ -	**$ 4,334**

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Refer also to Note 18 to the 2019 annual consolidated financial statements for information on the Corporation's risk management strategy.

Summary of gain (loss) on financial instruments recorded at fair value

	Three months ended March 31	
(Canadian dollars in millions)	**2020**	**2019**
Share forward contracts	$ (34)	$ 8
Gain (loss) on financial instruments recorded at fair value	**$ (34)**	**$ 8**

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, 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, 2020, unrestricted liquidity was $6,523 million comprised of cash and cash equivalents, Short-term investments, and Long-term investments.

In addition to monitoring unrestricted liquidity, the Corporation also tracks excess cash. The Corporation defines excess cash as total cash and investments in excess of the minimum cash required to support operations. This measure of liquidity includes cash, cash equivalents, short-term investments, short-term restricted cash and long-term investments. The Corporation uses 20% of trailing 12 months operating revenue as its estimate of the minimum cash required to support ongoing business operations. This estimate of minimum cash provides adequate coverage for advance ticket sales and to meet Air Canada's liquidity needs. Excess cash amounted to $2,942 million as at March 31, 2020.

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

- Significantly reduced capacity for the second quarter of 2020 when compared to the second quarter of 2019. The airline continues to proactively adjust capacity as required.
- Drew down its US$600 million and $200 million revolving credit facilities in March 2020, for aggregate net proceeds of $1,027 million.
- In April 2020, Air Canada concluded a financing for a 364-day term loan in the amount of US$600 million secured by 35 aircraft and five spare engines, for net proceeds of $829 million.
- Put in place financing commitments for 18 Airbus A220 aircraft.
- In addition to the projected cost savings associated with capacity reductions, including workplace reductions and other programs, Air Canada has initiated a company-wide cost reduction and capital deferral and reduction program.
- Suspended purchases under its share repurchase program in early March 2020.

Fuel Price Risk Management

There was no fuel hedging activity during the first quarters of 2020 or 2019. There were no outstanding fuel derivatives as at March 31, 2020 or at December 31, 2019.

Foreign Exchange Risk Management

Based on the notional amount of currency derivatives outstanding at March 31, 2020, as further described below, approximately 80% of net U.S. cash outflows are hedged for the remainder of 2020 and 60% for 2021, resulting in derivative coverage of 69% over the next 18 months. Operational U.S. dollar cash and investment reserves combined with derivative coverage results in 71% coverage over the next 18 months.

As at March 31, 2020, the Corporation had outstanding foreign currency options and swap agreements, settling in 2020 and 2021, to purchase at maturity $4,754 million (US$3,381 million) of U.S. dollars at a weighted average rate of $1.3152 per US$1.00 (as at December 31, 2019 – $6,599 million (US$5,080 million) with settlements in 2020 and 2021 at a weighted average rate of $1.2775 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 €404 million, GBP £118 million, JPY ¥42,751 million, CNH ¥385 million, and AUD $155 million) which settle in 2020 and 2021 at weighted average rates of €1.1433, £1.3004, ¥0.0096, ¥0.1454, and $0.7017 per $1.00 U.S. dollar respectively (as at December 31, 2019 - EUR €335 million, GBP £202 million, JPY ¥46,655 million, CNH ¥286 million and AUD $209 million with settlement in 2020 and 2021 at weighted average rates of €1.1577, £1.3238, ¥0.0096, ¥0.1469, and $0.7092 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, 2020 was $147 million in favour of the counterparties (as at December 31, 2019 – $114 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 2020, Foreign exchange gain (loss) related to these derivatives was nil ($77 million gain in the first quarter of 2019). In the first quarter of 2020, foreign exchange derivative contracts cash settled with a net fair value of $33 million in favour of the Corporation ($37 million in the first quarter of 2019 in favour of the Corporation).

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, 2020 amounted to $1,399 million (US$998 million) ($1,123 million (US$862 million) as at December 31, 2019). During the three months ended March 31, 2020, a gain of $91 million (three months ended March 31, 2019 – loss of $15 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.

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 March 31, 2020.

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 $6,833 million compared to its carrying value of $6,993 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 2019 annual consolidated financial statements. There were no transfers within the fair value hierarchy during the three months ended March 31, 2020.

		Fair value measurements at reporting date using:		
(Canadian dollars in millions)	**March 31, 2020**	**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	$ 293	$ –	$ 293	$ –
Short–term investments	3,540	–	3,540	–
Long–term investments	395	–	395	–
Equity investment in Chorus	46	46	–	–
Derivative instruments				
Share forward contracts	14	–	14	–
Foreign exchange derivatives	22	–	22	–
Total	**$ 4,310**	**$ 46**	**$ 4,264**	**$ -**
Financial Liabilities				
Derivative instruments				
Foreign exchange derivatives	169	–	169	–
Total	**$ 169**	**$ –**	**$ 169**	**$ –**

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 March 31	
	2020	**2019**
Canada	$ 944	$ 1,097
U.S. Transborder	755	942
Atlantic	659	762
Pacific	392	534
Other	443	462
	$ 3,193	**$ 3,797**

Cargo Revenues (Canadian dollars in millions)	Three months ended March 31	
	2020	**2019**
Canada	$ 19	$ 26
U.S. Transborder	9	12
Atlantic	69	68
Pacific	38	56
Other	14	15
	$ 149	**$ 177**

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. ACQUISITION OF AEROPLAN

On January 10, 2019, Air Canada completed its purchase of Aimia Canada Inc. (now Aeroplan Inc.). The aggregate purchase price for the acquisition consisted of $450 million in cash plus $67 million in cash for closing adjustments (total purchase consideration of $517 million). The acquisition also included the assumption of the Aeroplan Miles liability.

Concurrently with the conclusion of the Aeroplan purchase, Air Canada, Aeroplan, The Toronto-Dominion Bank ("TD Bank"), Canadian Imperial Bank of Commerce ("CIBC"), and Visa Canada Corporation ("Visa") finalized various commercial agreements relating to and in support of the acquisition, including credit card loyalty program and network agreements for future participation in the Aeroplan program. Similarly, in the first quarter of 2019, Air Canada, Aeroplan, and AMEX Bank of Canada ("AMEX") concluded agreements enabling AMEX's continued participation in the Aeroplan program. Air Canada received payments from TD Bank, CIBC, Visa, and AMEX in the aggregate amount of $1,212 million. This consideration has been accounted for as deferred revenue and will be amortized into passenger revenue over the terms of the related agreements.

In addition, TD Bank and CIBC made payments to the Corporation in the aggregate amount of $400 million as prepayments to be applied towards future monthly payments in respect of Aeroplan Miles. This consideration is accounted for as a contract liability within Aeroplan and other deferred revenue.

13. EQUITY INVESTMENT IN CHORUS

In February 2019, Air Canada concluded an agreement to amend and extend its capacity purchase agreement with Jazz, a wholly-owned subsidiary of Chorus Aviation Inc., by ten years from January 1, 2026 to December 31, 2035.

Concurrently, Air Canada subscribed for 15,561,600 class B voting shares in the capital of Chorus, representing, at time of issuance, approximately 9.99% of the total issued and outstanding voting shares of Chorus. This represented an investment of $97 million by Air Canada.