Second Quarter 2020

INTERIM UNAUDITED
Condensed Consolidated
Financial Statements and Notes

July 31, 2020

AIR CANADA

A STAR ALLIANCE MEMBER

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited (Canadian dollars in millions)		**June 30, 2020**	**December 31, 2019**
ASSETS			
Current			
Cash and cash equivalents		$ 5,089	$ 2,090
Short-term investments		3,555	3,799
Total cash, cash equivalents and short-term investments		8,644	5,889
Restricted cash		100	157
Accounts receivable		677	926
Aircraft fuel inventory		64	102
Spare parts and supplies inventory		130	110
Prepaid expenses and other current assets		182	332
Total current assets		9,797	7,516
Investments, deposits and other assets		774	936
Property and equipment	Note 5	12,369	12,834
Pension assets		2,108	2,064
Deferred income tax		15	134
Intangible assets		1,069	1,002
Goodwill		3,273	3,273
Total assets		**$ 29,405**	**$ 27,759**
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 2,029	$ 2,456
Advance ticket sales		2,433	2,939
Aeroplan and other deferred revenue		676	1,162
Current portion of long-term debt and lease liabilities	Note 6	3,236	1,218
Total current liabilities		8,374	7,775
Long-term debt and lease liabilities	Note 6	10,448	8,024
Aeroplan and other deferred revenue		3,787	3,136
Pension and other benefit liabilities		3,064	2,930
Maintenance provisions		1,126	1,240
Other long-term liabilities	Note 6	490	181
Deferred income tax		73	73
Total liabilities		**$ 27,362**	**$ 23,359**
SHAREHOLDERS' EQUITY			
Share capital	Note 8	1,335	785
Contributed surplus		93	83
Accumulated other comprehensive income (loss)		(51)	25
Retained earnings		666	3,507
Total shareholders' equity		2,043	4,400
Total liabilities and shareholders' equity		**$ 29,405**	**$ 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 June 30 2020**	**Three months ended June 30 2019**	**Six months ended June 30 2020**	**Six months ended June 30 2019**
Operating revenues					
Passenger	Note 12	$ 207	$ 4,319	$ 3,400	$ 8,116
Cargo	Note 12	269	177	418	354
Other		51	242	431	702
Total revenues		**527**	**4,738**	**4,249**	**9,172**
Operating expenses					
Aircraft fuel		124	1,117	960	2,114
Wages, salaries and benefits		464	781	1,260	1,580
Regional airlines expense, excluding fuel		172	475	643	950
Depreciation and amortization	Note 5	487	494	991	950
Aircraft maintenance		181	255	451	500
Airport and navigation fees		113	248	341	476
Sales and distribution costs		13	219	196	432
Ground package costs		(3)	116	231	410
Catering and onboard services		23	112	120	215
Communications and information technology		91	91	226	192
Special items	Note 4	236	-	236	-
Other		181	408	582	804
Total operating expenses		**2,082**	**4,316**	**6,237**	**8,623**
Operating income (loss)		**(1,555)**	**422**	**(1,988)**	**549**
Non-operating income (expense)					
Foreign exchange gain (loss)		242	117	(469)	380
Interest income		32	41	74	79
Interest expense	Note 6	(149)	(131)	(278)	(264)
Interest capitalized		6	9	14	17
Net financing expense relating to employee benefits		(9)	(9)	(20)	(19)
Gain (loss) on financial instruments recorded at fair value	Note 11	(40)	6	(74)	14
Other		(8)	(15)	(16)	(31)
Total non-operating income (expense)		**74**	**18**	**(769)**	**176**
Income (loss) before income taxes		**(1,481)**	**440**	**(2,757)**	**725**
Income tax expense	Note 7	(271)	(97)	(44)	(37)
Net income (loss) for the period		**$ (1,752)**	**$ 343**	**$ (2,801)**	**$ 688**
Net income (loss) per share	Note 9				
Basic earnings (loss) per share		$ (6.44)	$ 1.28	$ (10.48)	$ 2.55
Diluted earnings (loss) per share		$ (6.44)	$ 1.26	$ (10.48)	$ 2.51

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 June 30**		**Six months ended June 30**	
		2020	**2019**	**2020**	**2019**
Comprehensive income (loss)					
Net income (loss) for the period		$ (1,752)	$ 343	$ (2,801)	$ 688
Other comprehensive income (loss), net of tax expense:					
Items that will not be reclassified to net income					
Remeasurements on employee benefit liabilities	Note 7	(1,029)	(170)	79	(466)
Remeasurements on equity investments	Note 7	-	9	(76)	20
Items that will be reclassified to net income					
Fuel derivatives designated as cash flow hedges, net	Note 7 & 11	-	(4)	-	(4)
Total comprehensive income (loss)		**$ (2,781)**	**$ 178**	**$ (2,798)**	**$ 238**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited (Canadian dollars in millions)	**Share capital**	**Contributed surplus**	**Hedging reserve**	**Accumulated OCI**	**Retained earnings**	**Total shareholders' equity**
January 1, 2019	$ 798	$ 75	$ –	$ –	$ 2,404	$ 3,277
Net income (loss)	–	–	–	–	688	688
Remeasurements on employee benefit liabilities	–	–	–	–	(466)	(466)
Remeasurements on equity investments	–	–	–	20	–	20
Fuel derivatives designated as cash flow hedges, net	–	–	(4)	–	–	(4)
Total comprehensive income	–	–	(4)	20	222	238
Share-based compensation	–	7	–	–	–	7
Shares issued	4	(1)	–	–	–	3
Shares purchased and cancelled under issuer bid	(13)	–	–	–	(146)	(159)
June 30, 2019	$ 789	$ 81	$ (4)	$ 20	$ 2,480	$ 3,366
January 1, 2020	$ 785	$ 83	$ –	$ 25	$ 3,507	$ 4,400
Net income (loss)	–	–	–	–	(2,801)	(2,801)
Remeasurements on employee benefit liabilities	–	–	–	–	79	79
Remeasurements on equity investments	–	–	–	(76)	–	(76)
Total comprehensive income	–	–	–	(76)	(2,722)	(2,798)
Share-based compensation	–	10	–	–	–	10
Shares issued, net (Note 8)	558	–	–	–	–	558
Shares purchased and cancelled under issuer bid	(8)	–	–	–	(119)	(127)
June 30, 2020	$ 1,335	$ 93	$ –	$ (51)	$ 666	$ 2,043

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**	
		2020	**2019**	**2020**	**2019**
Cash flows from (used for)					
Operating					
Net income (loss) for the period		$ (1,752)	$ 343	$ (2,801)	$ 688
Adjustments to reconcile to net cash from operations					
Deferred income tax		278	81	82	7
Depreciation and amortization		487	494	991	950
Foreign exchange (gain) loss		(264)	(68)	473	(309)
Card agreement proceeds	Note 13	-	-	-	1,212
Aeroplan Miles prepayment proceeds	Note 13	-	-	-	400
Employee benefit funding less than expense		99	47	173	108
Financial instruments recorded at fair value	Note 11	40	(20)	74	(42)
Change in maintenance provisions		34	38	87	81
Changes in non-cash working capital balances		(550)	184	(648)	1,122
Special items	Note 4	330	-	330	-
Other		47	(9)	(32)	(16)
Net cash flows from (used in) operating activities		**(1,251)**	**1,090**	**(1,271)**	**4,201**
Financing					
Proceeds from borrowings	Note 6	3,867	-	4,894	-
Reduction of long-term debt and lease obligations		(269)	(280)	(778)	(532)
Shares purchased for cancellation	Note 8	-	(103)	(132)	(154)
Issue of shares	Note 8	553	2	554	3
Financing fees		(62)	-	(62)	-
Net cash flows from (used in) financing activities		**4,089**	**(381)**	**4,476**	**(683)**
Investing					
Investments, short-term and long-term		(112)	(139)	296	(519)
Additions to property, equipment and intangible assets		(212)	(553)	(585)	(1,473)
Proceeds from sale of assets		2	1	4	3
Acquisition of Aeroplan	Note 13	-	(20)	-	(517)
Investment in Chorus	Note 14	-	-	-	(97)
Other		6	15	37	51
Net cash flows used in investing activities		**(316)**	**(696)**	**(248)**	**(2,552)**
Effect of exchange rate changes on cash and cash equivalents		**(21)**	**(4)**	**42**	**(5)**
Increase in cash and cash equivalents		**2,501**	**9**	**2,999**	**961**
Cash and cash equivalents, beginning of period		2,588	1,582	2,090	630
Cash and cash equivalents, end of period		**$ 5,089**	**$ 1,591**	**$ 5,089**	**$ 1,591**

Cash payments of interest	Note 6	**$ 134**	**$ 133**	**$ 244**	**$ 255**
Cash payments of income taxes		**$ -**	**$ 22**	**$ 91**	**$ 29**

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, and particularly in Canada as well as 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 changing government restrictions in place around the world and the severity of the restrictions in Canada; 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, as well as timing of a recovery in international and business travel which are important segments of Air Canada's market, none of which can be predicted with any degree of certainty. Refer to Note 11 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, the normal seasonal demand pattern is not expected to occur and will not be as pronounced in 2020, with demand being considerably 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. Air Canada reduced second quarter 2020 capacity significantly when compared to 2019's second quarter, and given the lack of visibility of government restrictions and expected demand, capacity for the remainder of 2020 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 July 30, 2020.

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

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.

Government grants

The Corporation recognizes government grants when there is reasonable assurance that the Corporation will comply with the conditions of the grant and the grant will be received. Government grants receivable are recorded in Accounts receivable on the consolidated statement of financial position. The Corporation recognizes government grants in the consolidated statement of operations in the same period as the expenses for which the grant is intended to compensate. In cases where a government grant becomes receivable as compensation for expenses already incurred in prior periods, the grant is recognized in profit or loss in the period in which it becomes receivable.

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. Results from the assessment indicated a market capitalization greater than the carrying value; 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 recoverable amount of the cash-generating units has been measured based on fair value less cost to dispose, using a discounted cash flow model. The discounted cash flow model would represent a level 3 fair value measurement within the IFRS 13 fair value hierarchy. 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 relative to these projections could occur if passenger demand is below projected levels and travel restrictions continue to prevail with duration and impact greater than currently anticipated. The recoverable amount of both cash-generating units exceeded their respective carrying values by an aggregate amount of approximately $3,000 million. Reasonably possible changes in projections have been considered in this evaluation but do not indicate that the carrying amounts exceed recoverable amounts.

Key assumptions used were a 9.2% discount rate applied to the cash flow projections and was derived from market participant assumptions regarding the Corporation's weighted average cost of capital adjusted for taxes and specific risks associated with the cash-generating unit being tested. Cash flows beyond the five-year period are projected to increase at 2.5% consistent with the long-term growth assumption of the airline industry considering various factors such as the Corporation's fleet plans and industry growth assumptions.

The COVID-19 pandemic and its impact on the economy are constantly evolving in an unpredictable manner and present 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.

An impairment assessment of the aircraft that will be permanently leaving the fleet was done separately from the Corporation's CGUs with an impairment charge of $295 million recorded in Special items in the second quarter of 2020 as described in Note 4.

Income taxes

The deferred income tax assets related to unused tax losses and other deductible temporary differences arising in the second quarter of 2020 were not recognized. Management also assessed the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. As described in note 1, as a result of the COVID-19 pandemic, there is considerable negative evidence relating to losses incurred in the current year and uncertainty exists when conditions will improve. Such negative evidence currently outweighs the positive historical evidence and accordingly, the net deferred tax asset was not recognized. At the end of the second quarter of 2020, deferred tax assets have only been recognized to the extent of taxable temporary differences expected to reverse and generate taxable income against which the deferred tax assets can be utilized. The future income tax deductions underlying the unrecognized deferred income tax assets remain available for use in the future to reduce taxable income. Refer to Note 7.

4. 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:

	Three months ended June 30		Six months ended June 30	
(Canadian dollars in millions)	**2020**	**2019**	**2020**	**2019**
Impairments	$ 330	$ -	$ 330	$ -
Workforce reduction provisions	112	-	112	-
Canada emergency wage subsidy, net	(202)	-	(202)	-
Other	(4)	-	(4)	-
Special items	**$ 236**	**$ -**	**$ 236**	**$ -**

Impairments

In response to capacity reductions related to the impact of the COVID-19 pandemic, Air Canada is accelerating the retirement of 79 older aircraft from its fleet consisting of Boeing 767, Airbus A319 and Embraer 190 aircraft. These aircraft are being permanently retired and removed from the cash-generating units for evaluation of whether impairments exist. A fair value less cost to dispose model based on level 3 inputs was used in the evaluation of impairment. The recoverable amount of the owned aircraft is equal to expected proceeds on disposal reflecting management's best estimate including inputs from published pricing guides adjusted to reflect management's best estimate of the current market environment. The recoverable amount for the leased aircraft was determined as the estimated net obligation to settle the leases comprised of contractual future lease payments and end of lease return costs.

A non-cash impairment charge of $295 million was recorded 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 related to previously capitalized costs incurred for the development of technology based intangible assets which are now cancelled.

Workforce reduction provisions

As a result of COVID-19, 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 related to these measures. To date, payments of $6 million have been made related to the provision, resulting in a remaining obligation of $70 million at June 30, 2020. 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, termination benefits and curtailments of $36 million related to the pension and benefit obligations were recorded.

Canada Emergency Wage Subsidy

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

In the second quarter of 2020, Air Canada determined that it met the employer eligibility criteria and applied for the CEWS retroactively to March 15, 2020. As of the end of June 2020, the Corporation received instalments of $180 million under the payroll support program, with a further $115 million accrued up to June 30, 2020. On July 17, 2020, the Government of Canada announced that the program would be redesigned and extended until December 2020. Air Canada intends to continue its participation in the CEWS program, subject to meeting the eligibility requirements. 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.

5. PROPERTY AND EQUIPMENT

(Canadian dollars in millions)	June 30, 2020 Cost	Accumulated depreciation	Net book value	December 31, 2019 Cost	Accumulated depreciation	Net book value
Owned tangible assets						
Aircraft and flight equipment	$ 13,398	$ 5,204	$ 8,194	$ 12,920	$ 4,616	$ 8,304
Buildings and leasehold improvements	1,029	528	501	923	501	422
Ground and other equipment	658	416	242	640	395	245
Purchase deposits and assets under development	794	-	794	1,041	-	1,041
Owned tangible assets	**$ 15,879**	**$ 6,148**	**$ 9,731**	**$ 15,524**	**$ 5,512**	**$ 10,012**
Air Canada aircraft	$ 5,215	$ 3,695	$ 1,520	$ 5,055	$ 3,282	$ 1,773
Regional aircraft	1,949	1,168	781	1,893	1,135	758
Land and buildings	509	172	337	447	156	291
Right-of-use assets	**$ 7,673**	**$ 5,035**	**$ 2,638**	**$ 7,395**	**$ 4,573**	**$ 2,822**
Property and equipment	**$ 23,552**	**$ 11,183**	**$ 12,369**	**$ 22,919**	**$ 10,085**	**$ 12,834**

Additions to owned aircraft in the second quarter of 2020 include three new Airbus A220 aircraft (six new Airbus A220 aircraft in the six months ended June 30, 2020).

As described in Note 4, an impairment charge of $295 million was recorded in the second quarter of 2020 in Special items related to the accelerated retirement of 79 older aircraft and ancillary equipment from Air Canada's fleet and is aggregated with accumulated depreciation in the table above.

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

(Canadian dollars in millions)	Three months ended June 30 2020	2019	Six months ended June 30 2020	2019
Aircraft and flight equipment	$ 231	$ 239	$ 471	$ 463
Buildings and leasehold improvements	14	12	27	23
Ground and other equipment	12	9	23	18
Owned tangible assets	**257**	**260**	**521**	**504**
Air Canada aircraft	137	137	281	259
Regional aircraft	42	44	88	89
Land and buildings	8	6	16	12
Right-of-use assets	**187**	**187**	**385**	**360**
Property and equipment	**444**	**447**	**906**	**864**
Spare parts and supplies inventory	16	23	33	44
Intangible assets	27	24	52	42
Depreciation and amortization	**$ 487**	**$ 494**	**$ 991**	**$ 950**

6. LONG-TERM DEBT AND LEASE LIABILITIES

	Final Maturity	Weighted Average Interest Rate (%)	June 30, 2020 (Canadian dollars in millions)	December 31, 2019 (Canadian dollars in millions)
Aircraft financing (a)				
Fixed rate U.S. dollar financing (c)	2021 – 2030	4.59	$ 3,410	$ 3,200
Floating rate U.S. dollar financing	2021 – 2027	2.84	1,357	544
Fixed rate CDN dollar financing	2026 – 2030	3.78	245	259
Floating rate CDN dollar financing	2021 – 2027	4.13	1,034	264
Fixed rate Japanese yen financing	2027	1.84	148	141
Floating rate Japanese yen financing	2027	3.08	7	8
Convertible notes (b)	2025	4.00	700	-
Senior secured notes – CDN dollar (d)	2023 – 2024	8.18	1,040	200
Senior unsecured notes – U.S. dollar	2021	7.75	543	520
Other secured financing – U.S. dollar	2023	1.94	1,585	737
Other secured financing – CDN dollar	2022	2.62	199	-
Long-term debt		**4.30**	**10,268**	**5,873**
Lease liabilities				
Air Canada aircraft	2020 – 2029	5.92	1,951	1,924
Regional aircraft	2023 – 2035	6.76	1,210	1,149
Land and buildings	2020 – 2078	5.28	433	386
Lease liabilities		**6.13**	**3,594**	**3,459**
Total debt and lease liabilities		**4.77**	**13,862**	**9,332**
Unamortized debt issuance costs and discounts			(178)	(90)
Current portion – Long-term debt			(2,614)	(587)
Current portion – Air Canada aircraft			(393)	(418)
Current portion – Regional aircraft			(195)	(185)
Current portion – Land and buildings			(34)	(28)
Long-term debt and lease liabilities			**$ 10,448**	**$ 8,024**

The above table provides terms of instruments disclosed in Note 10 to the 2019 annual consolidated financial statements of the Corporation as well as terms of instruments concluded during the six months ended June 30, 2020 and described below.

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.

(a) In April 2020, Air Canada concluded a financing for a 364-day term loan (“2020 Term Loan”) in the amount of US$600 million with floating rate interest, secured by 35 aircraft and five spare engines, for net proceeds of $829 million.

In April 2020, Air Canada concluded a bridge financing with floating rate interest of $788 million for 18 Airbus A220 aircraft which Air Canada expects to replace with longer-term financing arrangements later in 2020 to be secured by the 18 Airbus A220 aircraft.

(b) In June 2020, Air Canada closed US$748 million ($1,011 million) of convertible unsecured notes ("Convertible Notes"), for net proceeds of $986 million. The Convertible Notes bear interest semi-annually in arrears at a rate of 4.000% per annum and will mature on July 1, 2025, unless earlier repurchased, redeemed or converted. The initial conversion rate of the Convertible Notes is 65.1337 shares per US$1,000 principal amount of Convertible Notes, or an initial conversion price of approximately US$15.35 per share. The Convertible Notes will be convertible, at the Corporation's election, into cash or into Class A Variable Voting shares and/or Class B Voting shares of the Corporation, or a combination thereof.

The Corporation's option to deliver cash or a combination of cash and shares on the conversion date in lieu of shares (based on the daily conversion values for 40 consecutive trading days) gives rise to an embedded derivative financial liability measured separately at fair value through profit or loss. On initial recognition, the derivative financial liability is measured at fair value, and the carrying value of the underlying notes is measured as the difference between this amount and the proceeds of issue. Subsequent to initial recognition, the Corporation measures the derivative financial liability at fair value at each reporting date, recognizing changes in the fair value in Gain (loss) on financial instruments recorded at fair value in the statement of operations, and accretes the carrying value of the underlying notes to their face value using the effective interest method, which results in an effective interest rate of 10.76%. The fair value of the embedded derivative at initial recognition was $320 million and is recorded in Other long-term liabilities. At June 30, 2020, the fair value was $361 million and the Corporation recorded an unrealized loss of $41 million. Refer to Note 11.

(c) In June 2020, Air Canada completed a private offering of one tranche of Class C enhanced equipment trust certificates ("EETCs") with a combined aggregate face amount of approximately US$316 million, which were sold at 95.002% of par, for net proceeds of $392 million. The Class C tranche ranks junior to the previously issued Series 2015-1, Series 2015-2, and Series 2017-1 EETCs, and is secured by liens on the 27 aircraft financed under these previously issued Series. The Class C EETCs have an interest rate of 10.500% per annum, and a final expected distribution date of July 15, 2026.

(d) In June 2020, Air Canada completed a private offering of $840 million aggregate principal amount of 9.00% Second Lien Secured Notes due 2024 (the "2024 Notes"), which were sold at 98% of par, for net proceeds of $812 million. The 2024 Notes are secured obligations of Air Canada, secured on a second lien basis by certain real estate interest, ground service equipment, certain airport slots and gate leaseholds, and certain routes and the airport slots and gate leaseholds utilized in connection with those routes.

The Corporation has recorded Interest expense as follows:

	Three months ended June 30		**Six months ended June 30**	
(Canadian dollars in millions)	**2020**	**2019**	**2020**	**2019**
Interest on debt	$ 96	$ 73	$ 170	$ 145
Interest on lease liabilities				
Air Canada aircraft	28	32	58	66
Regional aircraft	20	20	40	42
Land and buildings	5	6	10	11
Interest expense	**$ 149**	**$ 131**	**$ 278**	**$ 264**

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	
	2020	**2019**	**2020**	**2019**
Short-term leases	$ 5	$ 18	$ 25	$ 29
Variable lease payments not included in lease liabilities	7	8	14	15
Expense related to leases (included in Other operating expenses)	**$ 12**	**$ 26**	**$ 39**	**$ 44**

Total cash outflows for payments on lease liabilities was $235 million for the three months ended June 30, 2020 ($448 million for the six months ended June 30, 2020; $224 million and $434 million for the three and six month periods ended June 30, 2019), of which $182 million was for principal repayments ($340 million for the six months ended June 30, 2020; $166 million and $315 million for the three and six month periods ended June 30, 2019).

Maturity Analysis

Principal and interest repayment requirements as at June 30, 2020 on Long-term debt and lease liabilities are as follows. U.S. dollar amounts are converted using the June 30, 2020 closing rate of CDN$1.3576.

Principal **(Canadian dollars in millions)**	Remainder of 2020	2021	2022	2023	2024	Thereafter	Total
Long-term debt obligations(1)	$ 182	$ 2,596	$ 540	$ 2,258	$ 1,142	$ 3,865	$ 10,583
Air Canada aircraft	219	329	257	248	239	659	1,951
Regional aircraft	102	180	175	177	149	427	1,210
Land and buildings	15	25	24	22	22	325	433
Lease liabilities	$ 336	$ 534	$ 456	$ 447	$ 410	$ 1,411	$ 3,594
Total long-term debt and lease liabilities	**$ 518**	**$ 3,130**	**$ 996**	**$ 2,705**	**$ 1,552**	**$ 5,276**	**$ 14,177**

Interest **(Canadian dollars in millions)**	Remainder of 2020	2021	2022	2023	2024	Thereafter	Total
Long-term debt obligations(1)	$ 193	$ 374	$ 322	$ 293	$ 209	$ 354	$ 1,745
Air Canada aircraft	51	81	63	50	37	48	330
Regional aircraft	38	66	53	41	29	94	321
Land and buildings	11	21	20	19	17	222	310
Lease liabilities	$ 100	$ 168	$ 136	$ 110	$ 83	$ 364	$ 961
Total long-term debt and lease liabilities	**$ 293**	**$ 542**	**$ 458**	**$ 403**	**$ 292**	**$ 718**	**$ 2,706**

(1) Assumes the principal balance of the convertible notes remains unconverted and includes estimated interest payable until maturity.

The Corporation is committed to an additional aircraft lease which has yet to commence. The total commitment is approximately $39 million based on estimates regarding timing of delivery and rent. The aircraft lease term is 8 years.

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, 2020	Borrowings	Repayments	Financing fees	Foreign exchange adjustments	Amortization of financing fees and other adjustments	New lease liabilities (new and renewed contracts)	Jun. 30, 2020
Long-term debt	$ 6,993	$ 3,905	$ (87)	$ -	$ (228)	$ (315)	$ -	$ 10,268
Air Canada aircraft	2,147	-	(122)	-	(71)	-	(3)	1,951
Regional aircraft	1,200	-	(53)	-	(41)	-	104	1,210
Land and buildings	440	-	(7)	-	(2)	-	2	433
Lease liabilities	3,787	-	(182)	-	(114)	-	103	3,594
Unamortized debt issuance costs / discounts	(87)	(38)	-	(62)	-	9	-	(178)
Total liabilities from financing activities	**$ 10,693**	**$ 3,867**	**$ (269)**	**$ (62)**	**$ (342)**	**$ (306)**	**$ 103**	**$ 13,684**

(Canadian dollars in millions)		Cash Flows			Non-Cash Changes			
	Dec. 31, 2019	Borrowings	Repayments	Financing fees	Foreign exchange adjustments	Amortization of financing fees and other adjustments	New lease liabilities (new and renewed contracts)	Jun. 30, 2020
Long-term debt	$ 5,873	$ 4,932	$ (438)	$ -	$ 212	$ (311)	$ -	$ 10,268
Air Canada aircraft	1,924	-	(232)	-	87	-	172	1,951
Regional aircraft	1,149	-	(94)	-	51	-	104	1,210
Land and buildings	386	-	(14)	-	-	-	61	433
Lease liabilities	3,459	-	(340)	-	138	-	337	3,594
Unamortized debt issuance costs / discounts	(90)	(38)	-	(62)	-	12	-	(178)
Total liabilities from financing activities	**$ 9,242**	**$ 4,894**	**$ (778)**	**$ (62)**	**$ 350**	**$ (299)**	**$ 337**	**$ 13,684**

7. INCOME TAXES

Income Tax Expense

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

	Three months ended June 30		Six months ended June 30	
(Canadian dollars in millions)	**2020**	**2019**	**2020**	**2019**
Current income tax (expense) recovery	$ 7	$ (16)	$ 38	$ (30)
Deferred income tax (expense) recovery	(278)	(81)	(82)	(7)
Income tax (expense) recovery	**$ (271)**	**$ (97)**	**$ (44)**	**$ (37)**

A deferred income tax expense of $278 million was recorded during the second quarter, which is more than offset by a deferred income tax recovery of $359 million recorded in Other comprehensive income (loss), resulting in a net reduction of $81 million to deferred income tax liabilities during the second quarter of 2020. As a result of the composition of the Corporation's deferred income tax balances, the deferred income tax recovery from remeasurements on employee benefit liabilities was required to be recognized in other comprehensive income (loss) and the derecognition of the deferred tax asset was recorded through the statement of operations.

The applicable statutory tax rate is 26.59% (2019 – 26.73%). The Corporation's applicable tax rate is the Canadian combined tax rate applicable in the jurisdiction in which the Corporation operates. The income tax expense in the consolidated statement of operations differs from the amount that would have resulted from applying the statutory income tax rate to the loss before income taxes in the consolidated statement of operations primarily due to not recognizing the net deferred income tax assets.

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

	Three months ended June 30		Six months ended June 30	
(Canadian dollars in millions)	**2020**	**2019**	**2020**	**2019**
Remeasurements on employee benefit liabilities - current income tax (expense) recovery	$ (13)	$ -	$ (13)	$ -
- deferred income tax (expense) recovery	359	66	(41)	173
Remeasurements on equity investments - deferred income tax (expense) recovery	-	1	4	(3)
Fuel derivatives designated as cash flow hedges - deferred income tax (expense) recovery	-	2	-	2
Income tax (expense) recovery	**$ 346**	**$ 69**	**$ (50)**	**$ 172**

8. SHARE CAPITAL

Issuer Bid

In response to the COVID-19 pandemic, in early March 2020 Air Canada suspended share purchases under its normal course issuer bid (which had received approval from the Toronto Stock Exchange for the renewal of its previous 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. Air Canada's normal course issuer bid expired in May 2020 and Air Canada did not renew it. As such, no shares were purchased in the second quarter of 2020.

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 the second quarter of 2019, the Corporation purchased, for cancellation, a total of 2,770,000 shares at an average cost of $38.83 per share for aggregate consideration of $108 million (4,314,487 shares at an average cost of $36.77 per share for aggregate consideration of $159 million for the six months ended June 30, 2019). The excess of the cost over the average book value of $100 million ($146 million for the six months ended June 30, 2019) was charged to Retained earnings.

Share Offering

In June 2020, Air Canada completed an underwritten marketed public offering of 35,420,000 shares at a price of $16.25 per share, for aggregate gross proceeds of $576 million, which includes the exercise in full by the underwriters of their over-allotment option to purchase up to 4,620,000 shares for gross proceeds of $75 million. After deduction of the underwriters' fees and expenses of the offering, net proceeds were $552 million.

9. EARNINGS (LOSS) PER SHARE

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

(Canadian dollars in millions, except per share amounts)	Three months ended June 30 2020	Three months ended June 30 2019	Six months ended June 30 2020	Six months ended June 30 2019
Numerator:				
Net income (loss) for the period:	$ (1,752)	$ 343	$ (2,801)	$ 688
Effect of assumed conversion of convertible notes, net of tax	54	-	54	-
Total impact on net income (loss) for the period by potential dilutive securities	54	-	54	-
Remove anti-dilutive impact	(54)	-	(54)	-
Adjusted numerator for diluted earnings (loss) per share:	(1,752)	343	(2,801)	688
Denominator:				
Weighted-average shares	272	269	267	270
Effect of potential dilutive securities:				
Stock options	1	4	2	4
Convertible notes	15	-	7	-
Total potential dilutive securities	16	4	9	4
Remove anti-dilutive impact	(16)	-	(9)	-
Adjusted denominator for diluted earnings (loss) per share	272	273	267	274
Basic earnings (loss) per share	**$ (6.44)**	**$ 1.28**	**$ (10.48)**	**$ 2.55**
Diluted earnings (loss) per share	**$ (6.44)**	**$ 1.26**	**$ (10.48)**	**$ 2.51**

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.

10. 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, 2020. U.S. dollar amounts are converted using the June 30, 2020 closing rate of CDN$1.3576. 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	$ 752	$ 2,213	$ 892	$ 189	$ -	$ -	**$ 4,046**

11. 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

(Canadian dollars in millions)		Three months ended June 30 2020	Three months ended June 30 2019	Six months ended June 30 2020	Six months ended June 30 2019
Share forward contracts		$ 1	$ 6	$ (33)	$ 14
Embedded derivative on convertible notes	Note 6	(41)	-	(41)	-
Gain (loss) on financial instruments recorded at fair value		**$ (40)**	**$ 6**	**$ (74)**	**$ 14**

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 June 30, 2020, unrestricted liquidity was $9,120 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. Given the impact of the COVID-19 pandemic on passenger revenues and advance ticket sales, Air Canada has updated its definition of excess cash in the second quarter of 2020. The Corporation previously used 20% of trailing 12 months operating revenue as its estimate of the minimum cash required to support ongoing business operations. The minimum cash estimate has now been updated to a fixed amount of $2,400 million, which takes into account the Corporation's various financial covenants, and provides adequate coverage for advance ticket sales and to meet Air Canada's liquidity needs. Excess cash amounted to $6,820 million as at June 30, 2020.

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

- As described in Notes 6 and 8, completed financing transactions raising a total of $5.5 billion of liquidity since the start of the COVID-19 pandemic in the first quarter of 2020.
- 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.
- In addition to the projected cost savings associated with capacity reductions, including workforce 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 and did not renew its issuer bid upon its expiry in May 2020.

Fuel Price Risk Management

There was no fuel hedging activity during the six months ended June 30, 2020. There were no outstanding fuel derivatives as at June 30, 2020 or at December 31, 2019.

During the second quarter of 2019, the Corporation purchased crude-oil call options covering approximately 50% of the Corporation's anticipated purchases of jet fuel for the third quarter of 2019. The cash premium related to these contracts was $14 million. No hedging ineffectiveness was recorded.

Foreign Exchange Risk Management

Based on the notional amount of currency derivatives outstanding at June 30, 2020, as further described below, approximately 56% of net U.S. cash outflows are hedged for the remainder of 2020 and 59% for 2021, resulting in derivative coverage of 58% over the next 18 months. Operational U.S. dollar cash and investment reserves combined with derivative coverage results in 75% coverage over the next 18 months.

As at June 30, 2020, the Corporation had outstanding foreign currency options and swap agreements, settling in 2020 and 2021, to purchase at maturity $3,763 million (US$2,772 million) of U.S. dollars at a weighted average rate of $1.3419 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 €312 million, GBP £67 million, JPY ¥35,794 million, CNH ¥183 million, and AUD $65 million) which settle in 2020 and 2021 at weighted average rates of €1.1459, £1.2829, ¥0.0095, ¥0.1447, and AUD $0.7022 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 AUD $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 June 30, 2020 was $245 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 second quarter of 2020, Foreign exchange gain (loss) related to these derivatives was $87 million loss ($87 million loss for the six month period ended June 30, 2020; $47 million loss and $30 million gain respectively for the three and six month periods ended June 30, 2019). In the second quarter of 2020, foreign exchange derivative contracts cash settled with a net fair value of $11 million in favour of the Corporation ($44 million for the six month period ended June 30, 2020 in favour of the Corporation; $54 million and $91 million in favour of the Corporation respectively for the three and six month periods ended June 30, 2019).

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, 2020 amounted to $2,315 million (US$1,703 million) ($1,123 million (US$862 million) as at December 31, 2019). During the three months ended June 30, 2020, a loss of $35 million ($56 million gain for the six month period ended June 30, 2020; loss of $15 million and $30 million for the three and six month periods ended June 30, 2019) 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, 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 $9,878 million compared to its carrying value of $10,268 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 June 30, 2020.

		Fair value measurements at reporting date using:		
(Canadian dollars in millions)	**June 30, 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	$ 1,004	$ –	$ 1,004	$ –
Short–term investments	3,555	–	3,555	–
Long–term investments	476	–	476	–
Equity investment in Chorus	46	46	–	–
Derivative instruments				
Share forward contracts	15	–	15	–
Foreign exchange derivatives	2	–	2	–
Total	**$ 5,098**	**$ 46**	**$ 5,052**	**$ -**
Financial Liabilities				
Derivative instruments				
Foreign exchange derivatives	247	–	247	–
Embedded derivative on convertible notes	361	–	361	–
Total	**$ 608**	**$ –**	**$ 608**	**$ –**

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.

12. 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	
	2020	**2019**	**2020**	**2019**
Canada	$ 118	$ 1,333	$ 1,062	$ 2,430
U.S. Transborder	10	955	765	1,897
Atlantic	49	1,151	708	1,913
Pacific	18	621	410	1,155
Other	12	259	455	721
	$ 207	**$ 4,319**	**$ 3,400**	**$ 8,116**

Cargo Revenues (Canadian dollars in millions)	Three months ended June 30		Six months ended June 30	
	2020	**2019**	**2020**	**2019**
Canada	$ 18	$ 29	$ 37	$ 55
U.S. Transborder	12	13	21	25
Atlantic	84	60	153	128
Pacific	145	61	183	117
Other	10	14	24	29
	$ 269	**$ 177**	**$ 418**	**$ 354**

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.

13. 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.

14. 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.