

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Unaudited (Canadian dollars in millions)		September 30, 2015	December 31, 2014
ASSETS			
Current			
Cash and cash equivalents		\$ 910	\$ 661
Short-term investments		2,206	1,614
Total cash, cash equivalents and short-term investments		3,116	2,275
Restricted cash		94	89
Accounts receivable		751	656
Aircraft fuel inventory		62	72
Spare parts and supplies inventory		101	91
Prepaid expenses and other current assets		262	295
Total current assets		4,386	3,478
Property and equipment	Note 3	6,648	5,998
Pension	Note 5	543	-
Intangible assets		310	305
Goodwill		311	311
Deposits and other assets		557	556
Total assets		\$ 12,755	\$ 10,648
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 1,452	\$ 1,259
Advance ticket sales		1,841	1,794
Current portion of long-term debt and finance leases	Note 4	562	484
Total current liabilities		3,855	3,537
Long-term debt and finance leases	Note 4	5,576	4,732
Pension and other benefit liabilities	Note 5	2,193	2,403
Maintenance provisions		923	796
Other long-term liabilities		259	313
Total liabilities		\$ 12,806	\$ 11,781
EQUITY			
Shareholders' equity			
Share capital		827	835
Contributed surplus		79	77
Deficit		(1,020)	(2,113)
Total shareholders' equity		(114)	(1,201)
Non-controlling interests		63	68
Total equity		(51)	(1,133)
Total liabilities and equity		\$ 12,755	\$ 10,648

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

CONSOLIDATED STATEMENT OF OPERATIONS

Unaudited		Three months ended September 30		Nine months ended September 30	
		2015	2014	2015	2014
(Canadian dollars in millions except per share figures)					
Operating revenues					
Passenger		\$ 3,716	\$ 3,476	\$ 9,584	\$ 9,049
Cargo		119	128	371	369
Other		188	194	731	750
Total revenues		4,023	3,798	10,686	10,168
Operating expenses					
Aircraft fuel		697	939	1,937	2,567
Regional airlines expense	Notes 2 & 10	584	608	1,730	1,753
Wages, salaries and benefits	Note 5	598	549	1,734	1,641
Airport and navigation fees		223	208	609	577
Aircraft maintenance		192	158	570	491
Depreciation, amortization and impairment	Note 3	165	142	495	396
Sales and distribution costs		157	146	463	437
Ground package costs		63	56	328	303
Aircraft rent		89	74	255	226
Food, beverages and supplies		91	84	233	224
Communications and information technology		52	49	161	148
Other		297	259	833	696
Total operating expenses		3,208	3,272	9,348	9,459
Operating income		815	526	1,338	709
Non-operating income (expense)					
Foreign exchange loss	Note 9	(251)	(71)	(603)	(192)
Interest income		12	11	33	29
Interest expense		(106)	(81)	(290)	(239)
Interest capitalized		20	6	50	21
Net financing expense relating to employee benefits	Note 5	(28)	(34)	(78)	(102)
Fuel and other derivatives	Note 9	(20)	(31)	(14)	(10)
Other		(5)	(3)	(12)	(11)
Total non-operating expense		(378)	(203)	(914)	(504)
Income before income taxes		437	323	424	205
Income taxes		-	-	-	-
Net income for the period		\$ 437	\$ 323	\$ 424	\$ 205
Net income attributable to:					
Shareholders of Air Canada		435	321	420	201
Non-controlling interests		2	2	4	4
		\$ 437	\$ 323	\$ 424	\$ 205
Net income per share attributable to shareholders of Air Canada					
Basic earnings per share	Note 7	\$ 1.52	\$ 1.13	\$ 1.47	\$ 0.70
Diluted earnings per share		1.48	1.10	1.43	0.69

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CONSOLIDATED STATEMENT OF CASH FLOW

Unaudited		Three months ended September 30		Nine months ended September 30	
(Canadian dollars in millions)		2015	2014	2015	2014
Cash flows from (used for)					
Operating					
Net income for the period		\$ 437	\$ 323	\$ 424	\$ 205
Adjustments to reconcile to net cash from operations					
Depreciation, amortization and impairment		169	146	507	409
Foreign exchange loss		299	73	664	201
Employee benefit funding less (greater) than expense	Note 5	9	(27)	(14)	(63)
Fuel and other derivatives	Note 9	10	23	(7)	7
Change in maintenance provisions		20	32	22	64
Changes in non-cash working capital balances		(470)	(379)	236	129
Other		2	-	(39)	(31)
Net cash flows from operating activities		476	191	1,793	921
Financing					
Proceeds from borrowings		302	194	591	978
Reduction of long-term debt and finance lease obligations		(124)	(166)	(386)	(556)
Distributions related to aircraft special purpose leasing entities		-	-	(9)	-
Issue of common shares		-	1	3	1
Shares purchased for cancellation	Note 6	(41)	-	(42)	-
Financing fees	Note 4	(1)	-	(23)	-
Net cash flows from financing activities		136	29	134	423
Investing					
Short-term investments		(227)	157	(517)	(137)
Additions to property, equipment and intangible assets		(566)	(383)	(1,201)	(1,115)
Proceeds from sale of assets		7	65	17	68
Other		7	(23)	23	(13)
Net cash flows used in investing activities		(779)	(184)	(1,678)	(1,197)
Increase (decrease) in cash and cash equivalents		(167)	36	249	147
Cash and cash equivalents, beginning of period		1,077	861	661	750
Cash and cash equivalents, end of period		\$ 910	\$ 897	\$ 910	\$ 897
Cash payments of interest		\$ 39	\$ 33	\$ 188	\$ 172
Cash payments (recovery) of income taxes		\$ -	\$ (1)	\$ -	\$ (1)

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