

2010 Second Quarter Financial Results

August 5, 2010



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Financial Highlights – Results of Operations

Q2 10 / Q2 09

<i>(millions)</i>	Q2 2010	Q2 2009	Change
Operating Revenue	\$ 2,625	\$ 2,330	\$ 295
Operating Income (Loss)	\$ 75	\$ (113)	\$ 188
EBITDAR	\$ 333	\$ 135	\$ 198
Net Income (Loss)	\$ (203)	\$ 155	\$ (358)
Operating Margin	2.9%	(4.8)%	7.7 PP
EBITDAR Margin	12.7%	5.8%	6.9 PP
RASM (cents)	14.8	13.9	6.6%
CASM (cents)	16.4	16.6	(0.9)%
CASM excl. Fuel (cents)	12.2	12.7	(4.2)%

Note: The net loss in Q2'10 includes a charge of \$54 million in interest expense related to AC's secured term credit facility as well as foreign exchange losses of \$156 million

Financial Highlights – Financial Position and Cash Flow

Q2 10 / Q2 09

<i>(millions)</i>	Q2 2010	Q2 2009	Change
Cash Flow from (used for) Operations ⁽¹⁾	\$ 320	\$ (91)	\$ 411
Additions to Capital Assets	\$ (23)	\$ (49)	\$ 26
Free Cash Flow	\$ 297	\$ (140)	\$ 437
Cash, Cash Equivalents & Short-term Investments at June 30	\$ 1,815	\$ 907	\$ 908
Adjusted debt/equity ratio % at June 30	81.0%	89.7%	(8.7) pp

(1) includes cash used for fuel hedge settlements, terminations & premiums, net fuel hedge collateral deposits, excess of employee future benefit funding over expense and changes in non-cash working capital

Non-Operating Expense

Q2 10 / Q2 09

<i>(millions)</i>	Q2 2010	Q2 2009	Change
Net Interest Expense ⁽¹⁾	\$ (129)	\$ (88)	\$ (41)
Loss on Assets	\$ -	\$ (71)	\$ 71
Gain (Loss) on Financial Instruments	\$ (18)	\$ 79	\$ (97)
Total Non-Operating Expense	\$ (147)	\$ (80)	\$ (67)

(1) Q2 10 includes a charge of \$54M in interest expense related to Air Canada's secured term credit facility

Q2 2010 Versus Q2 2009

	Passenger Revenue (%)	Capacity (ASMs) (%)	Traffic (RPMs) (%)	Passenger LF (PP)	Yield (%)	RASM (%)
Canada	↑ 6.8	↓ 0.2	↑ 2.9	↑ 2.5	↑ 3.7	↑ 7.0
US Transborder	↑ 11.3	↑ 7.3	↑ 10.3	↑ 2.0	↑ 0.8	↑ 3.6
Atlantic	↑ 12.8	↑ 2.4	↑ 3.2	↑ 0.7	↑ 9.2	↑ 10.0
Pacific	↑ 37.3	↑ 17.5	↑ 27.0	↑ 6.7	↑ 8.1	↑ 16.9
Other	↑ 15.3	↑ 10.1	↑ 12.7	↑ 1.8	↑ 2.2	↑ 4.5
Total	↑ 12.4	↑ 5.3	↑ 8.7	↑ 2.6	↑ 3.3	↑ 6.6

Total Operating Expense ↑ 4.4%

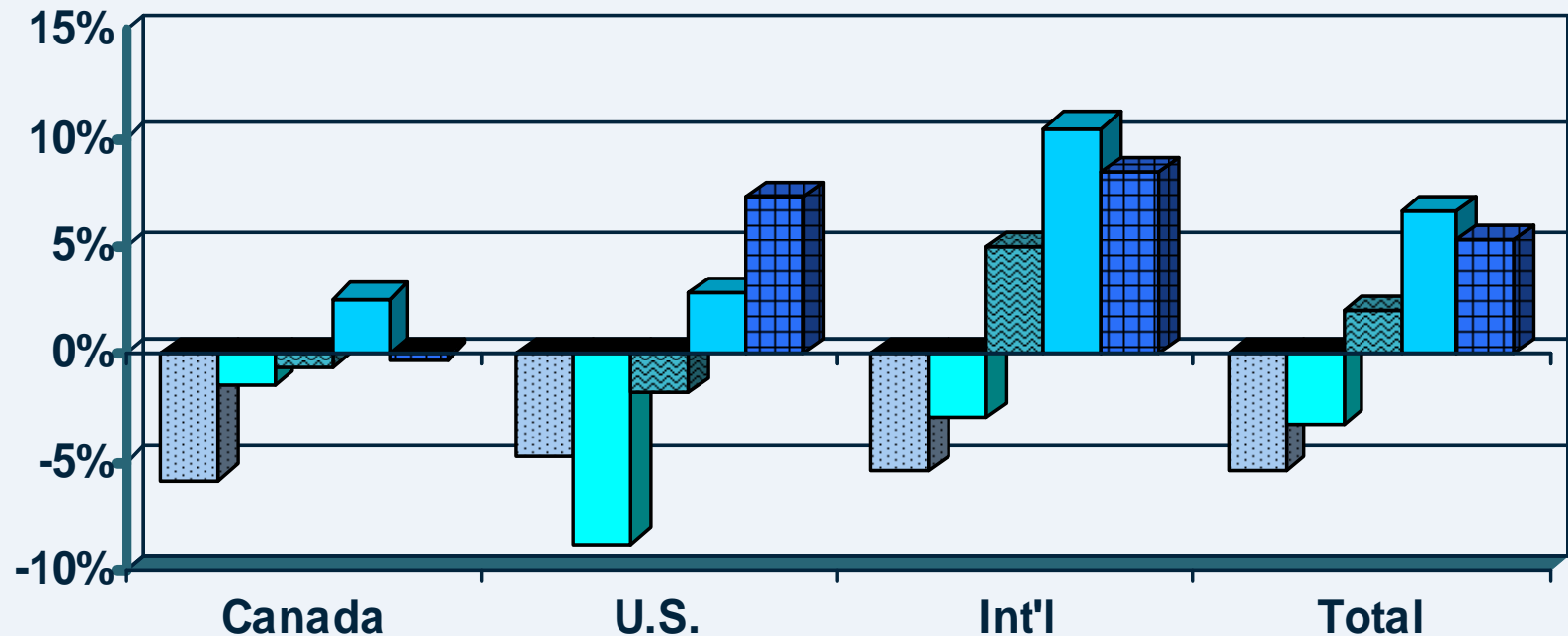
Total CASM ↓ 0.9%

Total CASM - excluding fuel ↓ 4.2%

System Capacity Increased 5.3% due to Expanded Int'l Oper. & Leveraging Toronto Hub as a Global Transfer Point

(Y-O-Y Changes in Capacity)

% Change in ASMs

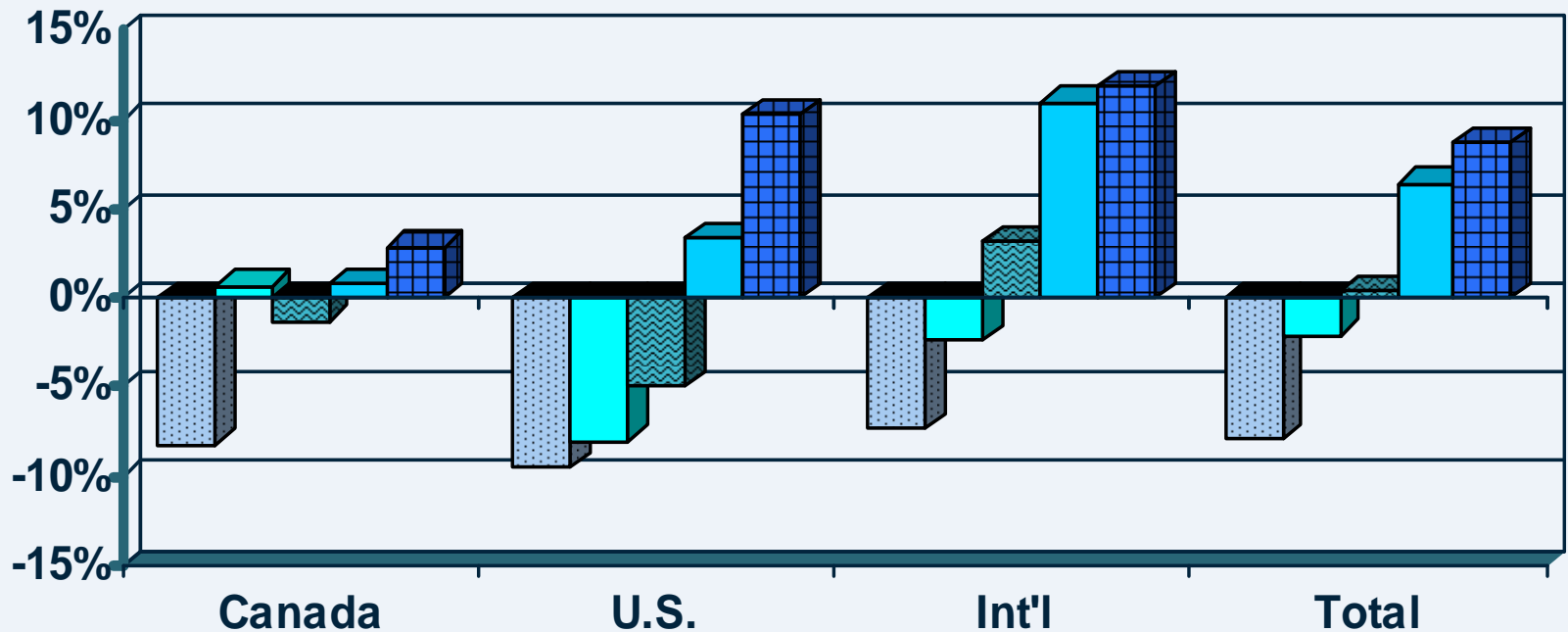


■ Q2 2009/2008 ■ Q3 2009/2008 ■ Q4 2009/2008 ■ Q1 2010/2009 ■ Q2 2010/2009

System Traffic Increased 8.7% on Capacity Growth of 5.3%

(Y-O-Y Changes in Traffic)

% Change in RPMs

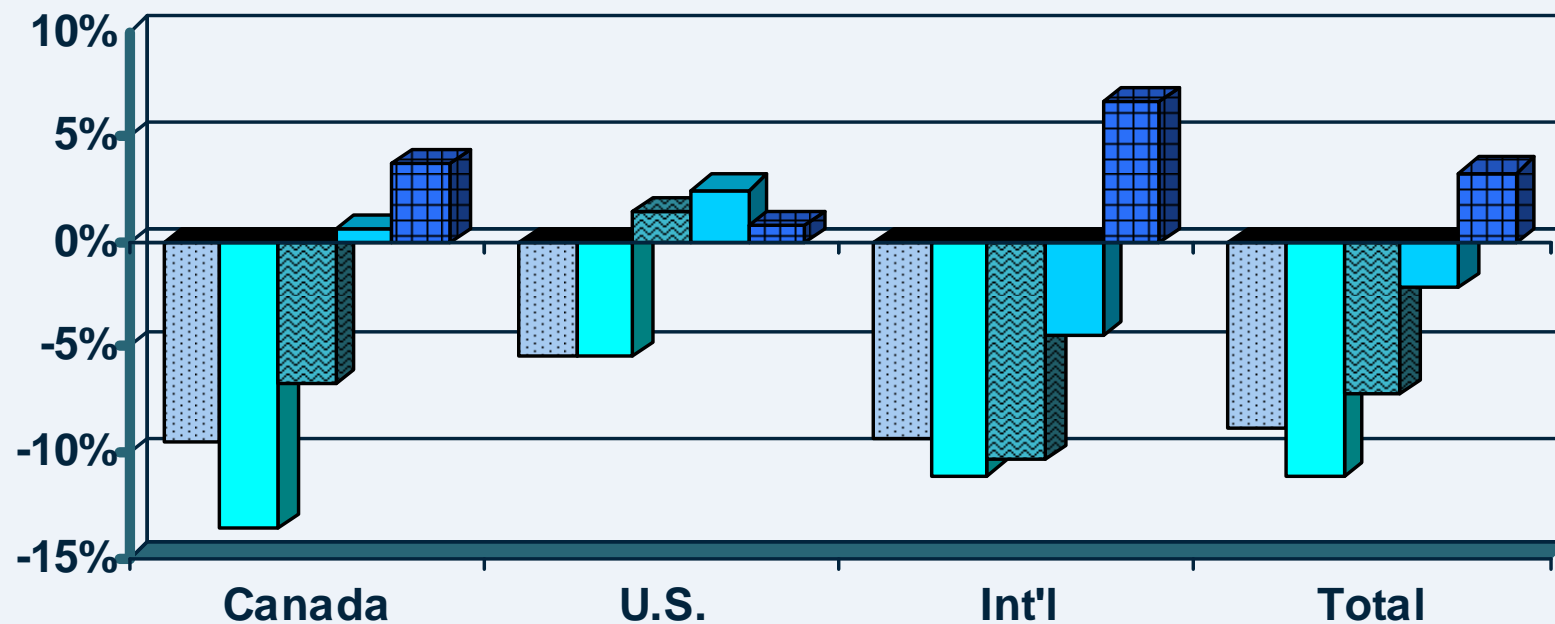


■ Q2 2009/2008 ■ Q3 2009/2008 ■ Q4 2009/2008 ■ Q1 2010/2009 ■ Q2 2010/2009

Yield Up 3.3% due to Modest Improvement in the Economic Environment Compared to Q2'09

(Y-O-Y Changes in Passenger Yield)

% Change in Yield

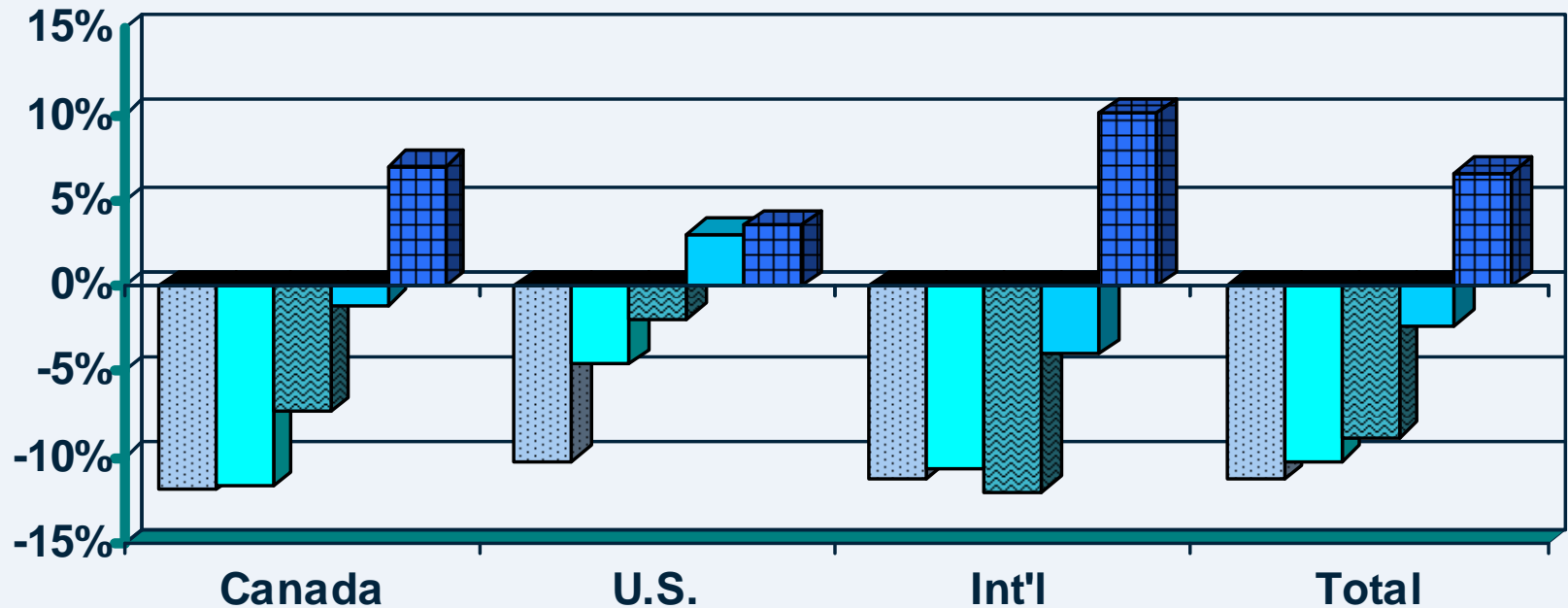


Q2 2009/2008
 Q3 2009/2008
 Q4 2009/2008
 Q1 2010/2009
 Q2 2010/2009

System RASM Increased 6.6% due to 3.3% Yield Growth and 2.6 PP Passenger Load Factor Improvement

(Y-O-Y Changes in Revenue per ASM)

% Change in RASM

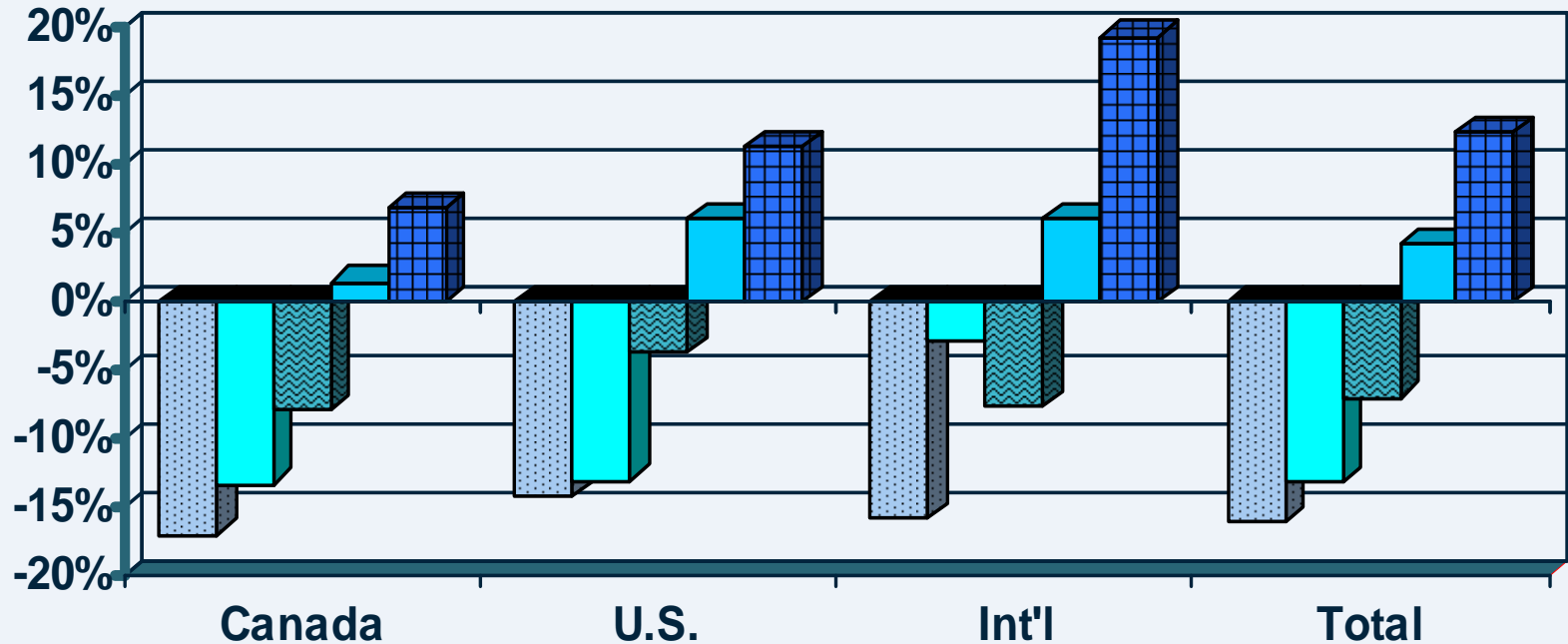


Q2 2009/2008
 Q3 2009/2008
 Q4 2009/2008
 Q1 2010/2009
 Q2 2010/2009

System Revenues Increased 12.4% due to 8.7% Traffic Growth and 3.3% Yield Improvement

(Y-O-Y Changes in Passenger Revenue)

% Change in Revenue



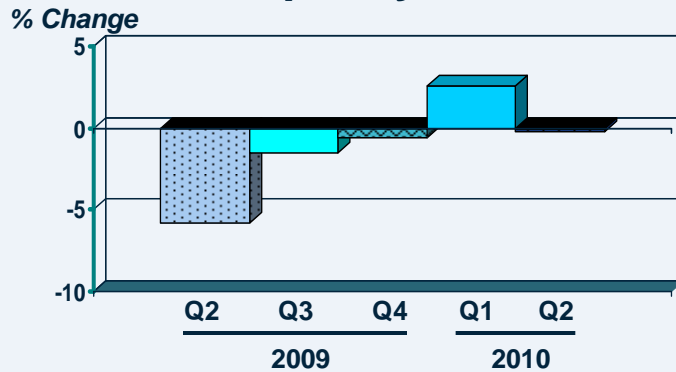
Q2 2009/2008
 Q3 2009/2008
 Q4 2009/2008
 Q1 2010/2009
 Q2 2010/2009

Canada –

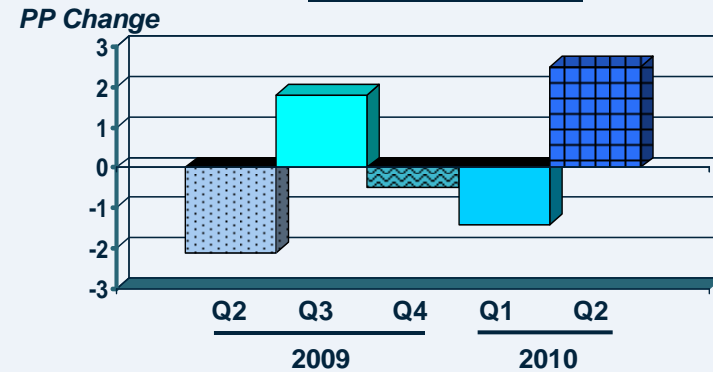
RASM Incr. 7.0% due to 3.7% Yield growth and 2.5 PP LF Improvement

Y-O-Y Change

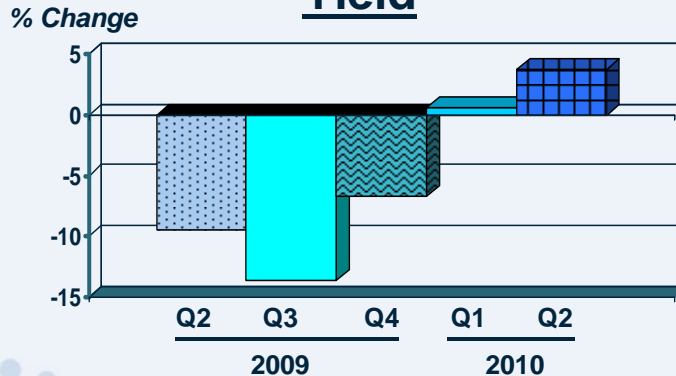
Capacity (ASM)



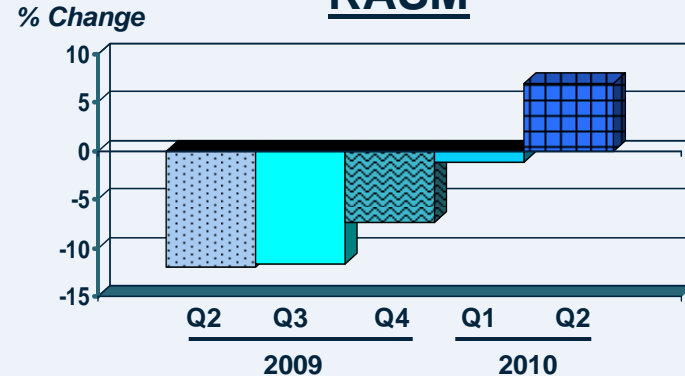
Load Factor



Yield



RASM

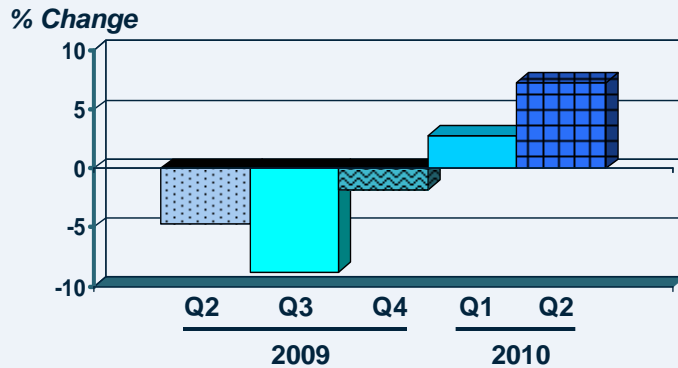


US Transborder –

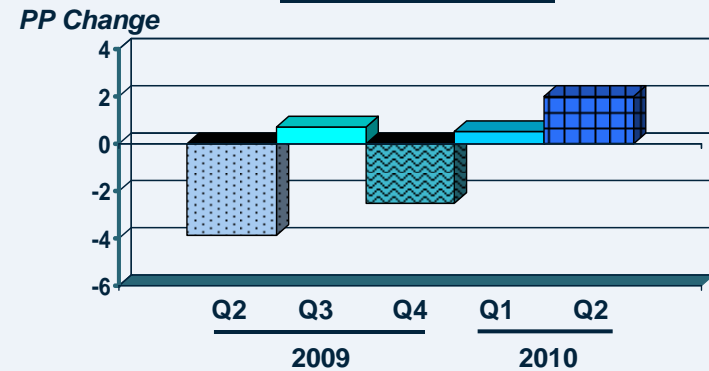
RASM Increased 3.6% due Mostly to 2.0 PP LF Improvement – But Also a 0.8% Higher Yield

Y-O-Y Change

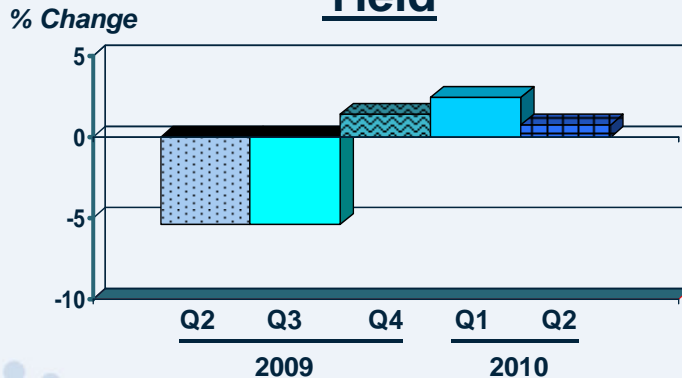
Capacity (ASM)



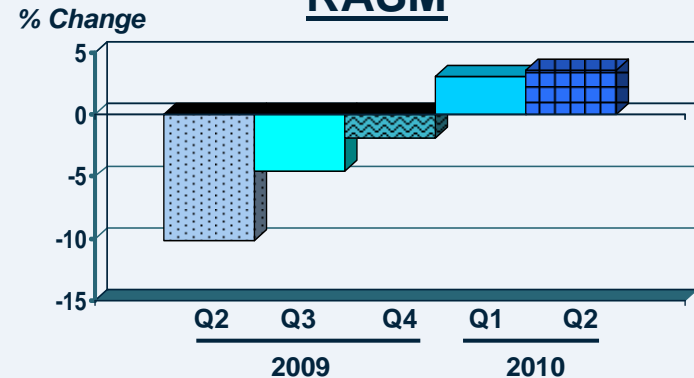
Load Factor



Yield



RASM

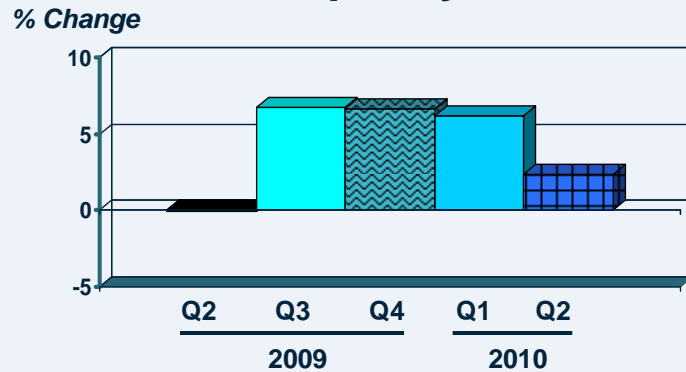


Atlantic –

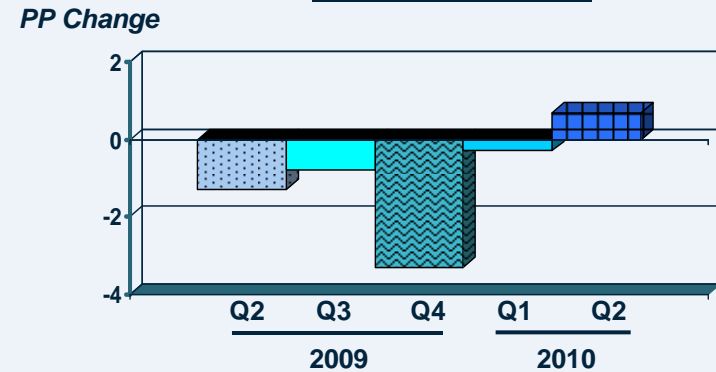
RASM Increased 10.0% due Mostly to 9.2% Yield Growth – But also a 0.7 PP LF Improvement

Y-O-Y Change

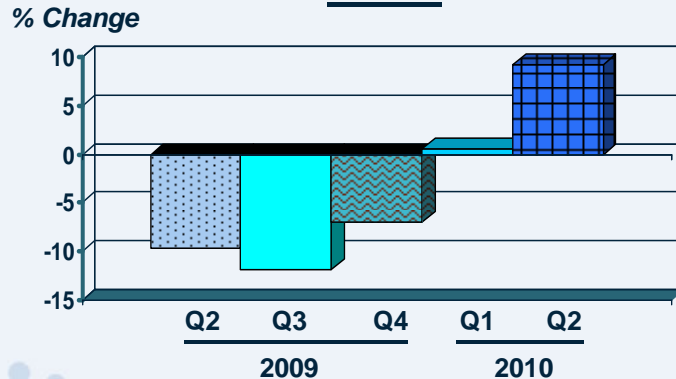
Capacity (ASM)



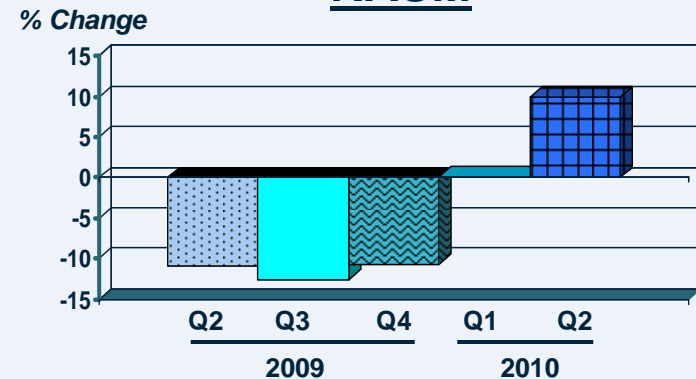
Load Factor



Yield



RASM

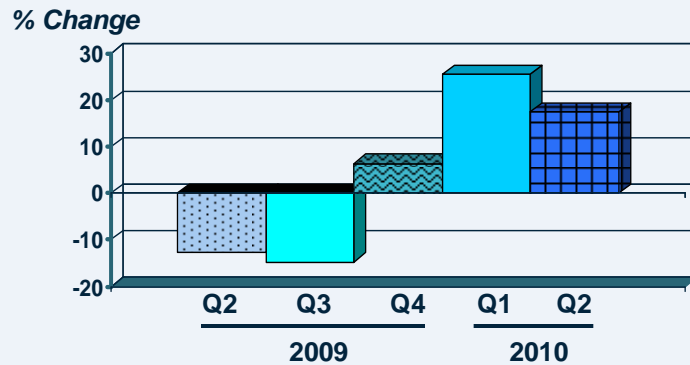


Pacific –

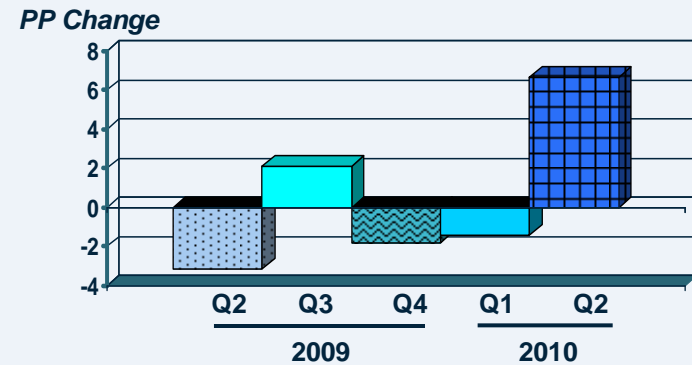
RASM Increased 16.9% due to 8.1% Higher Yield and 6.7 PP Load Factor Improvement

Y-O-Y Change

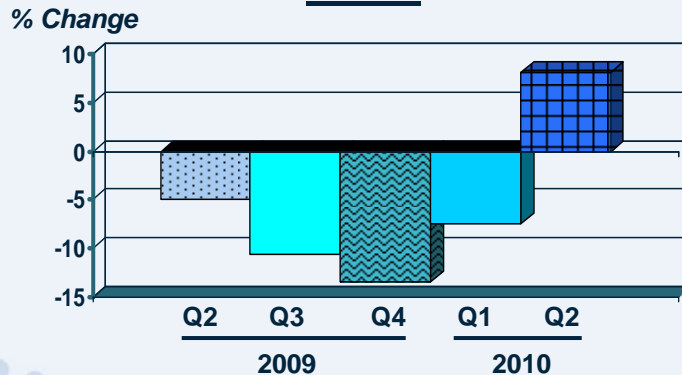
Capacity (ASM)



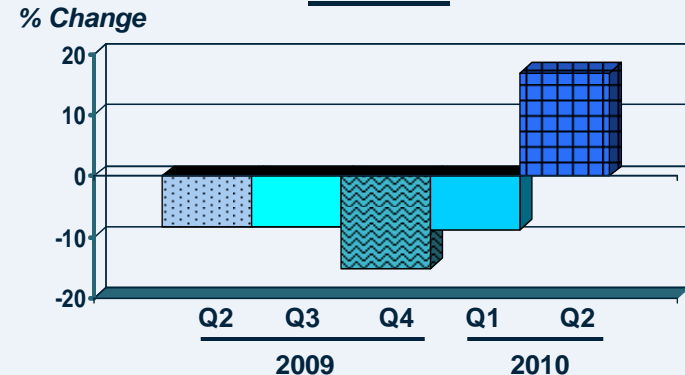
Load Factor



Yield



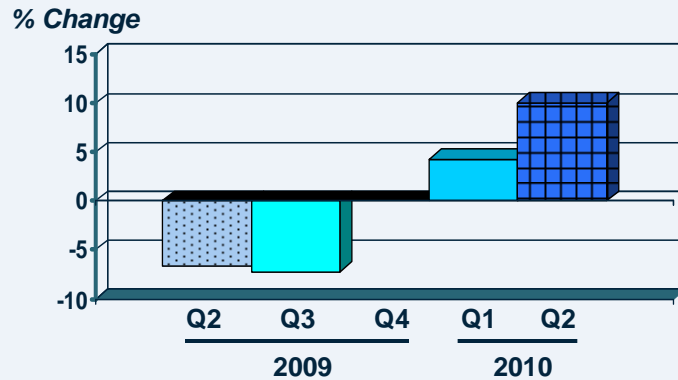
RASM



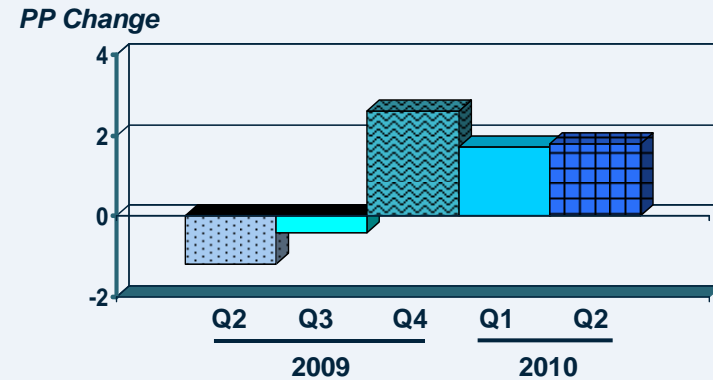
Australia, Caribbean, Mexico & S. A. ("Other") – RASM Incr. 4.5% due to 2.2% Higher Yield & 1.8 PP LF Improvement

Y-O-Y Change

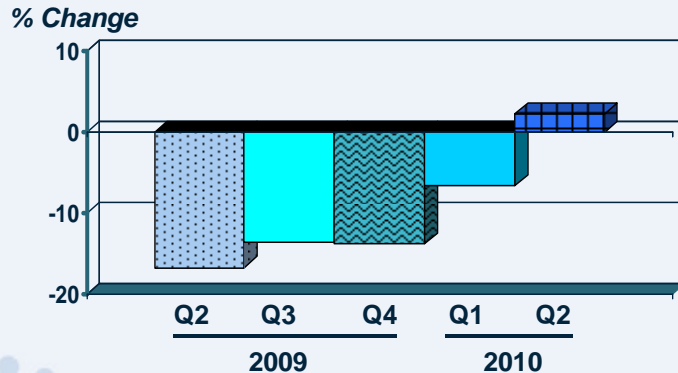
Capacity (ASM)



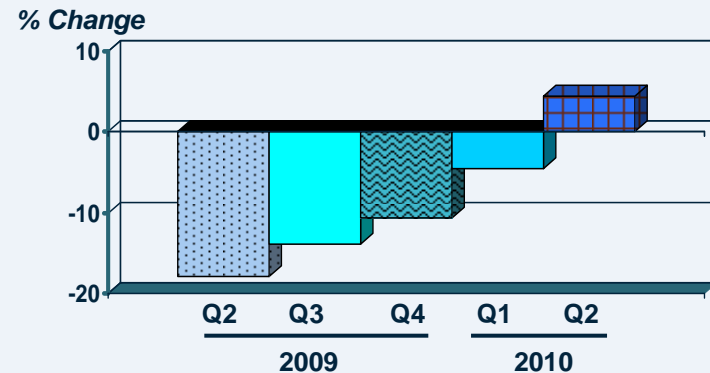
Load Factor



Yield



RASM

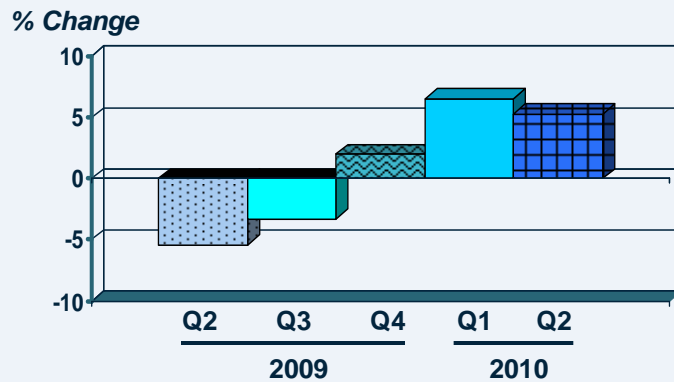


Total –

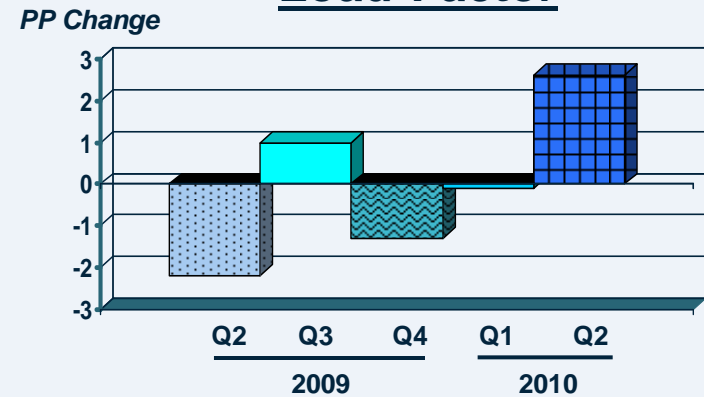
RASM Incr. 6.6% due to 3.3% Higher Yield and 2.6 PP LF Improvement

Y-O-Y Change

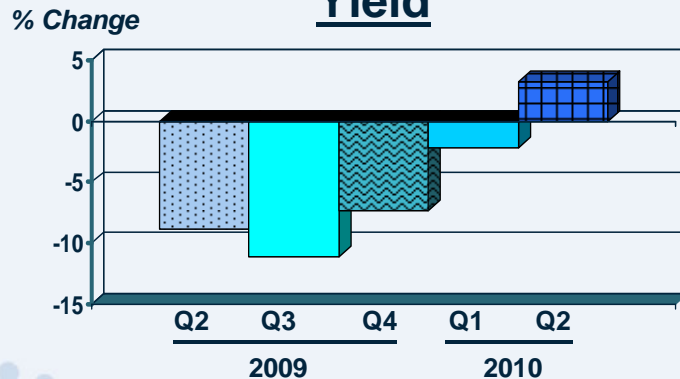
Capacity (ASM)



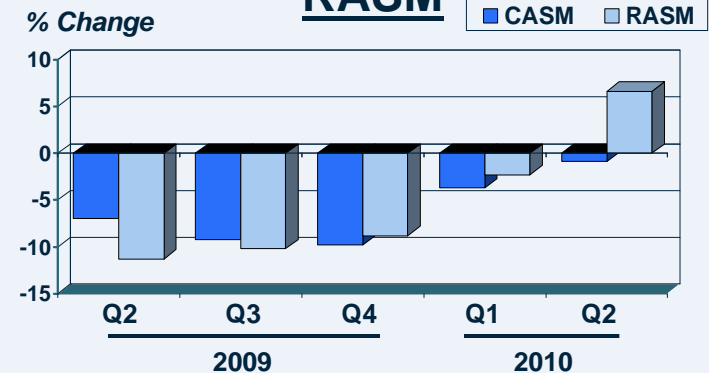
Load Factor



Yield



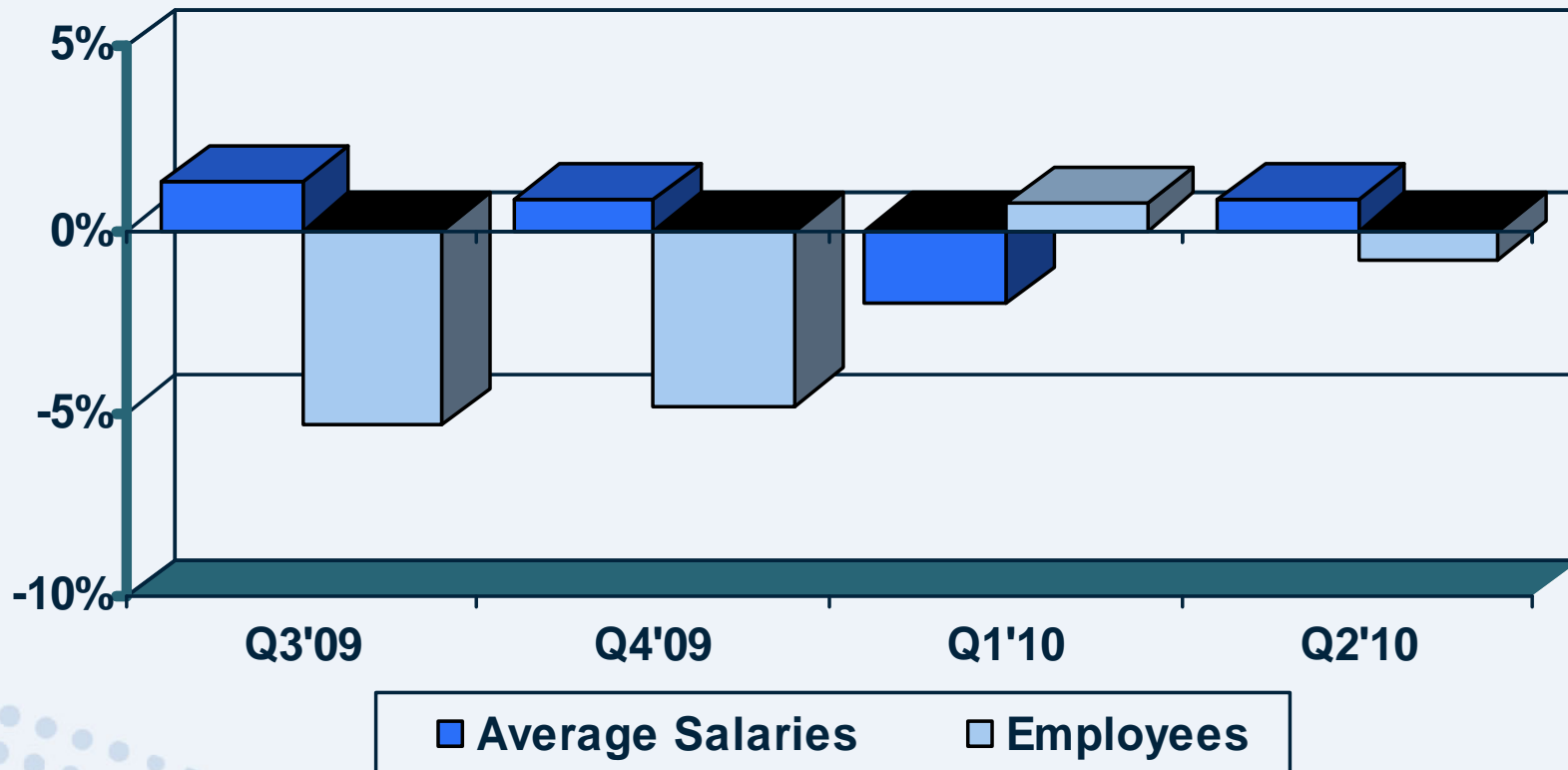
RASM



S&W Expenses Up 8.0% due to Increase in Pension Expenses – Employee Levels Decreased by 0.8%

(Y-O-Y Change – Average Salaries & Employees)

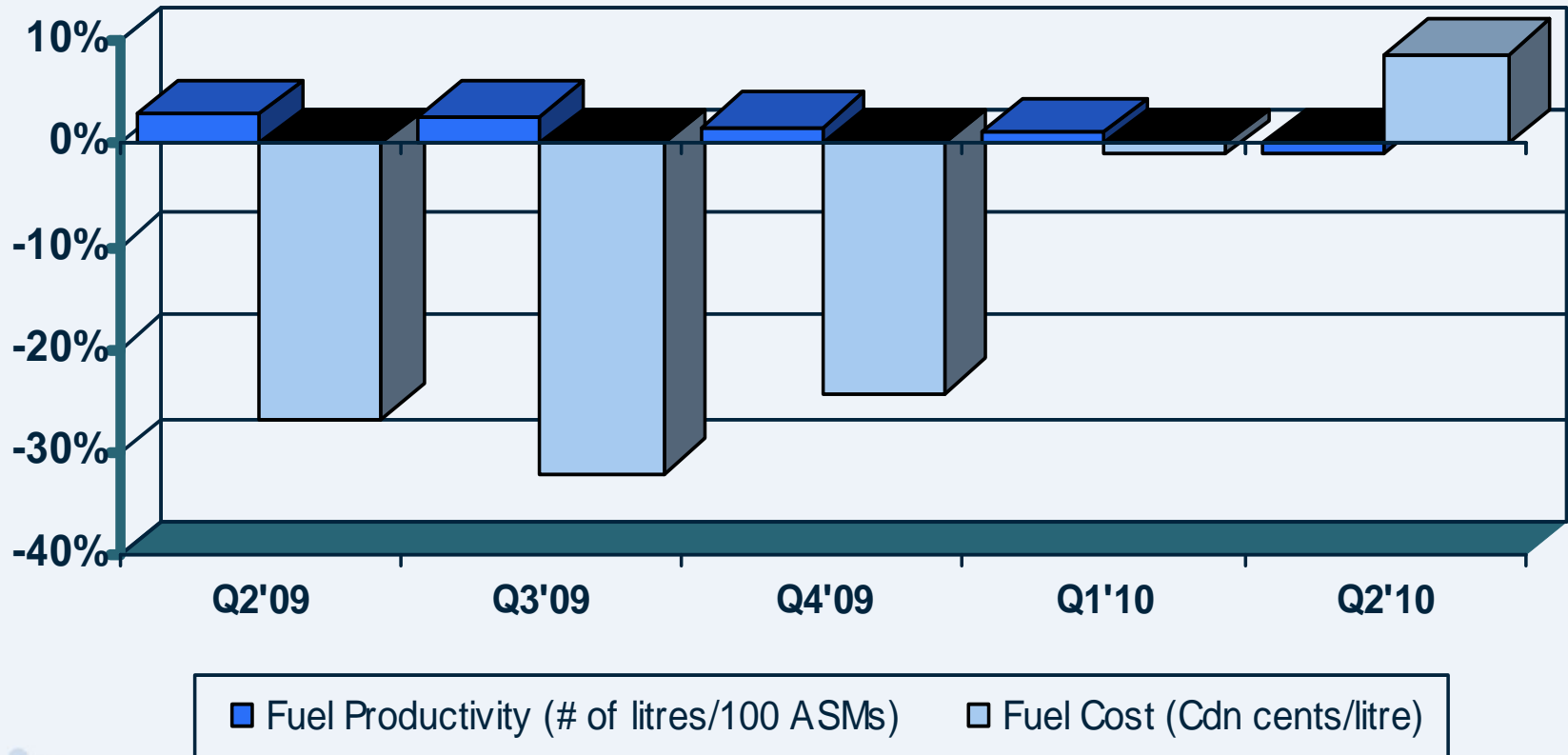
% Change Y-O-Y



Fuel Cost Per Litre Up 8.7% – Fuel Productivity Down 0.9% – Economic Cost of Fuel Per Litre Up 24%

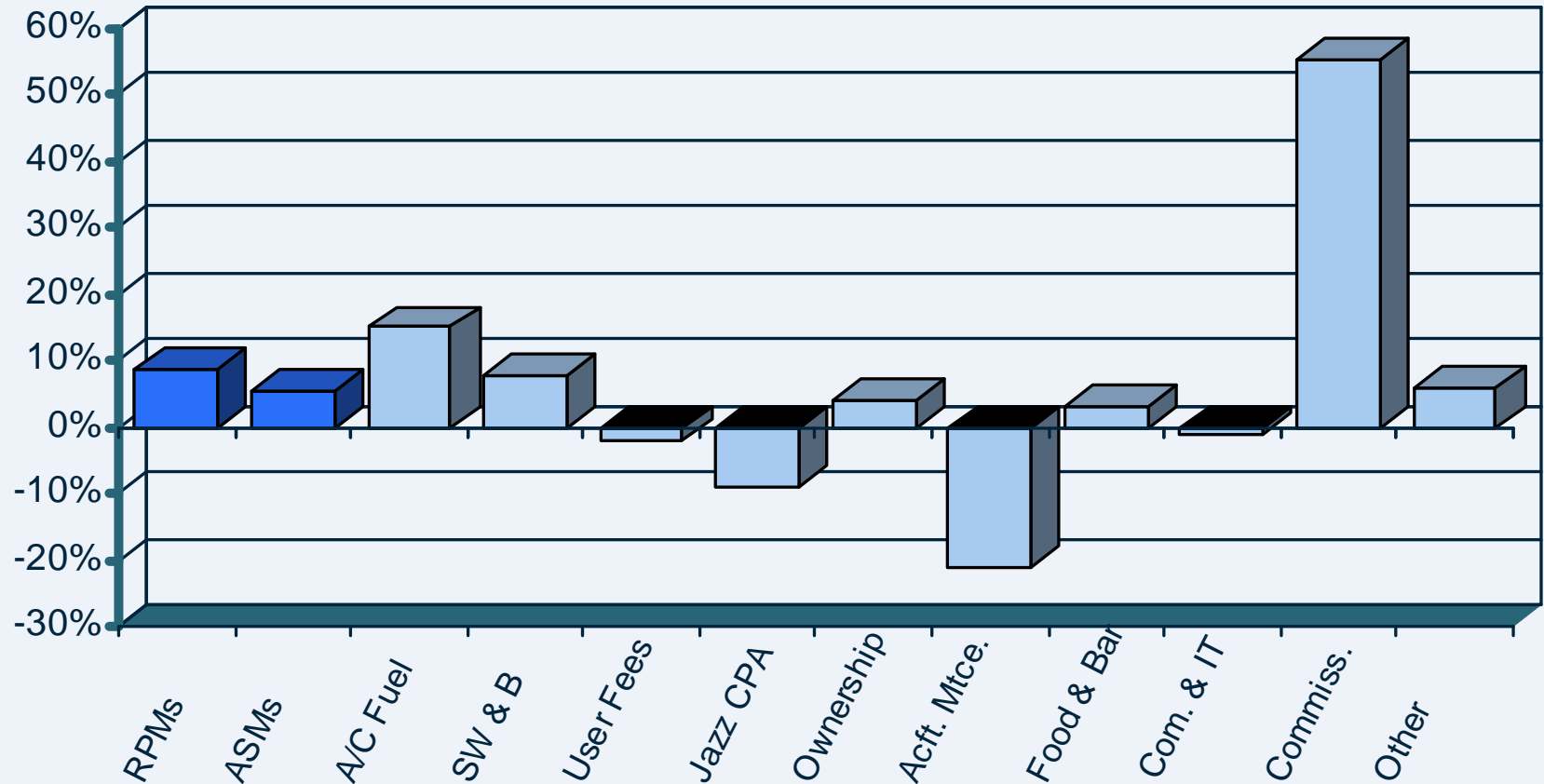
(Fuel Productivity & Cost per Litre)

% Change Y-O-Y



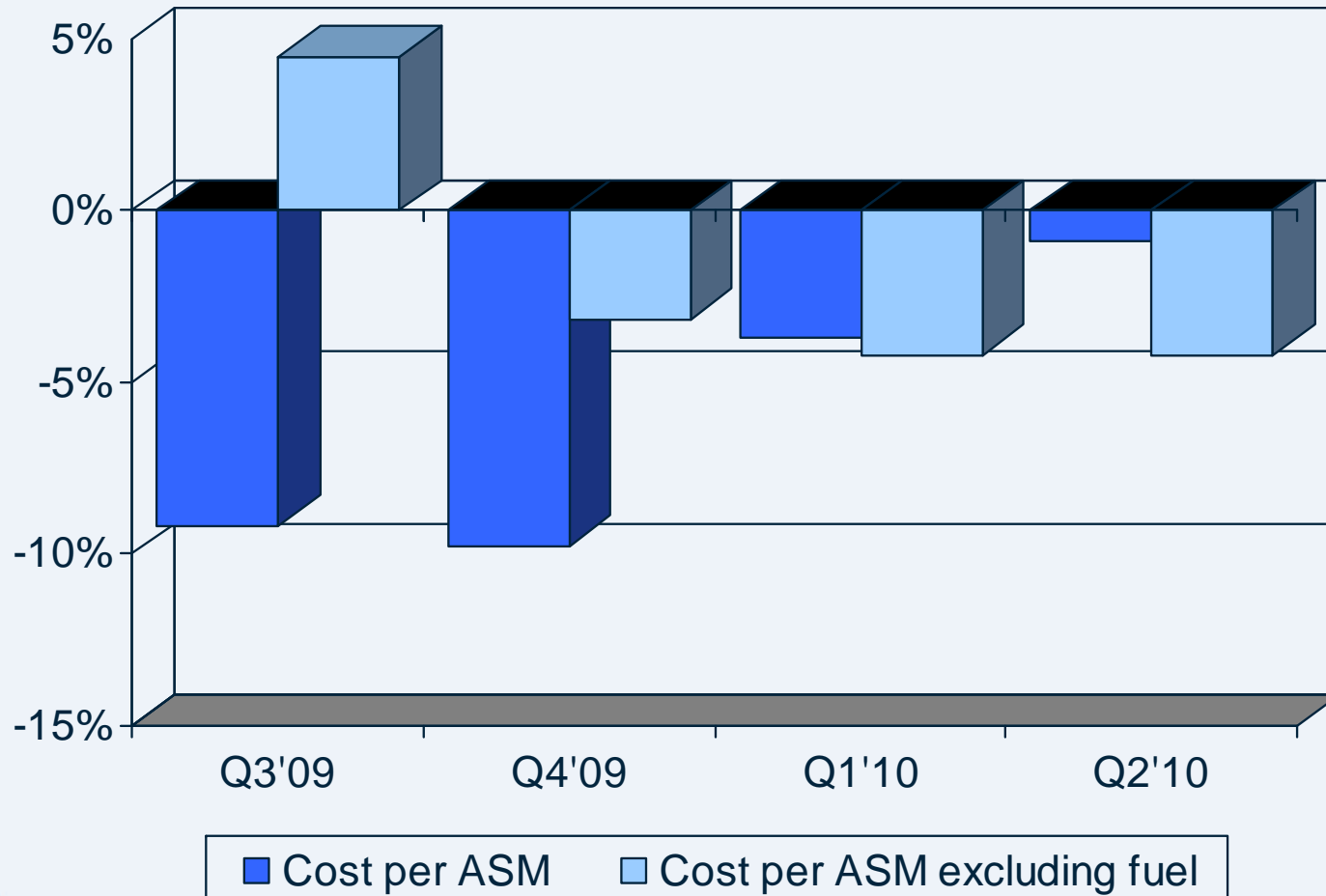
Oper. Exp. Up \$107M Largely on 5.3% Capacity Growth & Higher Fuel Prices – Partly Offset By Lower Acft. Mtce. Exp.

% Change Y-O-Y



Unit Cost Down 0.9% – Down 4.2% Excluding Fuel Favourable FX Largest Contributing Factor

% Change Y-O-Y



Further Information

For further information on Air Canada's public disclosure file, including *Air Canada's Second Quarter 2010 MD&A* dated August 5, 2010 and *Air Canada's Annual Information Form*, consult Air Canada's website at **aircanada.com** or SEDAR at **www.sedar.com**



