

2010 Third Quarter Financial Results

November 4, 2010



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Financial Highlights – Results of Operations

Q3 10 / Q3 09

<i>(millions)</i>	Q3 2010	Q3 2009	Change
Operating Revenue	\$ 3,026	\$ 2,670	\$ 356
Operating Income	\$ 327	\$ 68	\$ 259
EBITDAR	\$ 581	\$ 320	\$ 261
Net Income	\$ 261	\$ 277	\$ (16)
Operating Margin	10.8%	2.5%	8.3 PP
EBITDAR Margin	19.2%	12.0%	7.2 PP
RASM (cents)	14.8	14.1	4.7%
CASM (cents)	14.7	15.4	(4.1)%
CASM excl. Fuel (cents)	10.7	11.3	(5.3)%

Note: Net income in Q3'10 includes a foreign exchange gain of \$90 million

Financial Highlights – Financial Position and Cash Flow

Q3 10 / Q3 09

<i>(millions)</i>	Q3 2010	Q3 2009	Change
Cash Flow from (used for) Operations ⁽¹⁾	\$ 137	\$ (234)	\$ 371
Additions to Capital Assets	\$ (25)	\$ (34)	\$ 9
Free Cash Flow	\$ 112	\$ (268)	\$ 380
Cash, Cash Equivalents & Short-term Investments at Sept 30	\$ 2,173	\$1,209	\$ 964
Adjusted debt to debt plus equity ratio % at Sept 30	77.1%	84.7%	(7.6) 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

Q3 10 / Q3 09

<i>(millions)</i>	Q3 2010	Q3 2009	Change
Net Interest Expense	\$ (82)	\$ (84)	\$ 2
Gain on Assets	\$ 2	\$ 1	\$ 1
Gain on Financial Instruments	\$ 5	\$ 4	\$ 1
Other	\$ -	\$ (4)	\$ 4
Total Non-Operating Expense	\$ (75)	\$ (83)	\$ 8

Q3 2010 Versus Q3 2009

	Passenger Revenue (%)	Capacity (ASMs) (%)	Traffic (RPMs) (%)	Passenger LF (PP)	Yield (%)	RASM (%)
Canada	↑ 5.9	↑ 0.8	↑ 1.7	↑ 0.7	↑ 4.1	↑ 5.0
US Transborder	↑ 10.4	↑ 13.3	↑ 12.8	↓ 0.3	↓ 2.3	↓ 2.7
Atlantic	↑ 16.3	↑ 12.3	↑ 12.3	-	↑ 3.5	↑ 3.4
Pacific	↑ 37.7	↑ 10.9	↑ 17.1	↑ 4.8	↑ 17.5	↑ 24.1
Other	↑ 18.2	↑ 10.7	↑ 13.8	↑ 2.3	↑ 3.7	↑ 6.7
Total	↑ 13.4	↑ 8.2	↑ 9.7	↑ 1.2	↑ 3.2	↑ 4.7

Total Operating Expense ↑ 3.7%

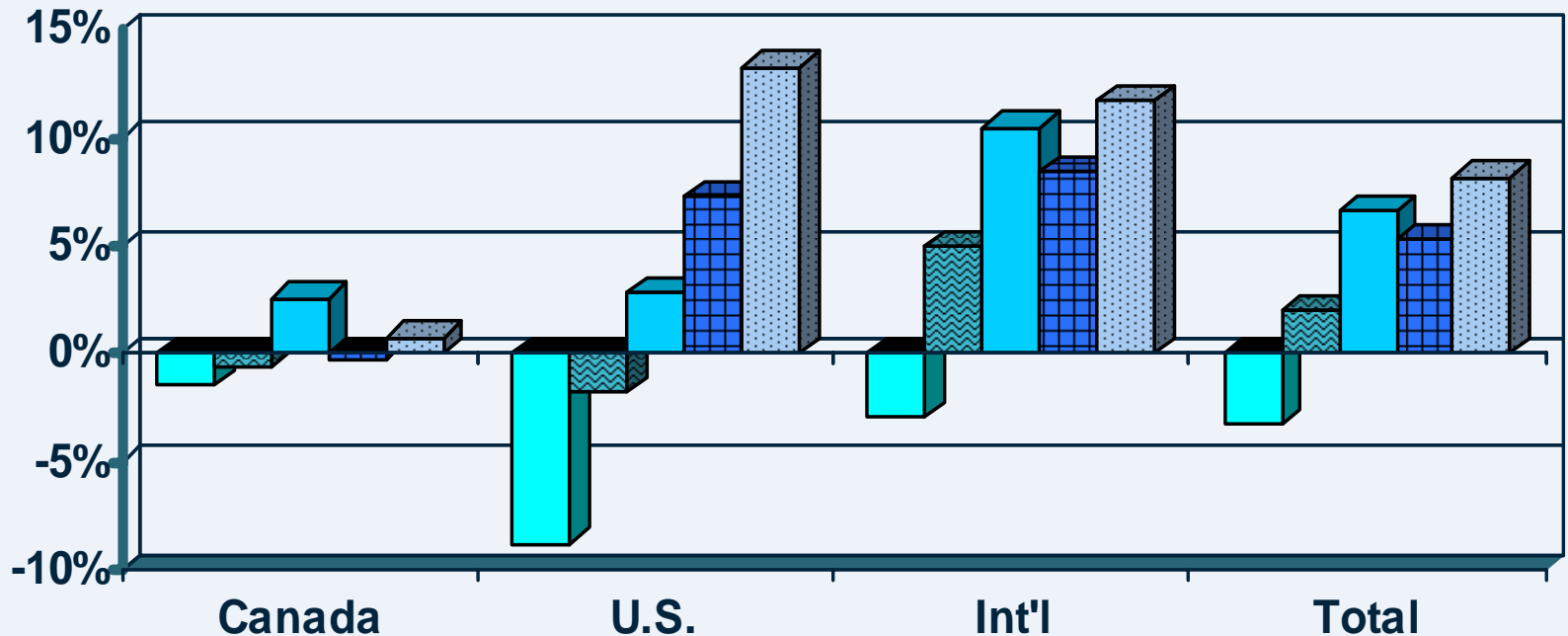
Total CASM ↓ 4.1%

Total CASM - excluding fuel ↓ 5.3%

System Capacity Increased 8.2% – Domestic Capacity Up 0.8% While US Transborder & International Each Up 12.0%

(Y-O-Y Changes in Capacity)

% Change in ASMs

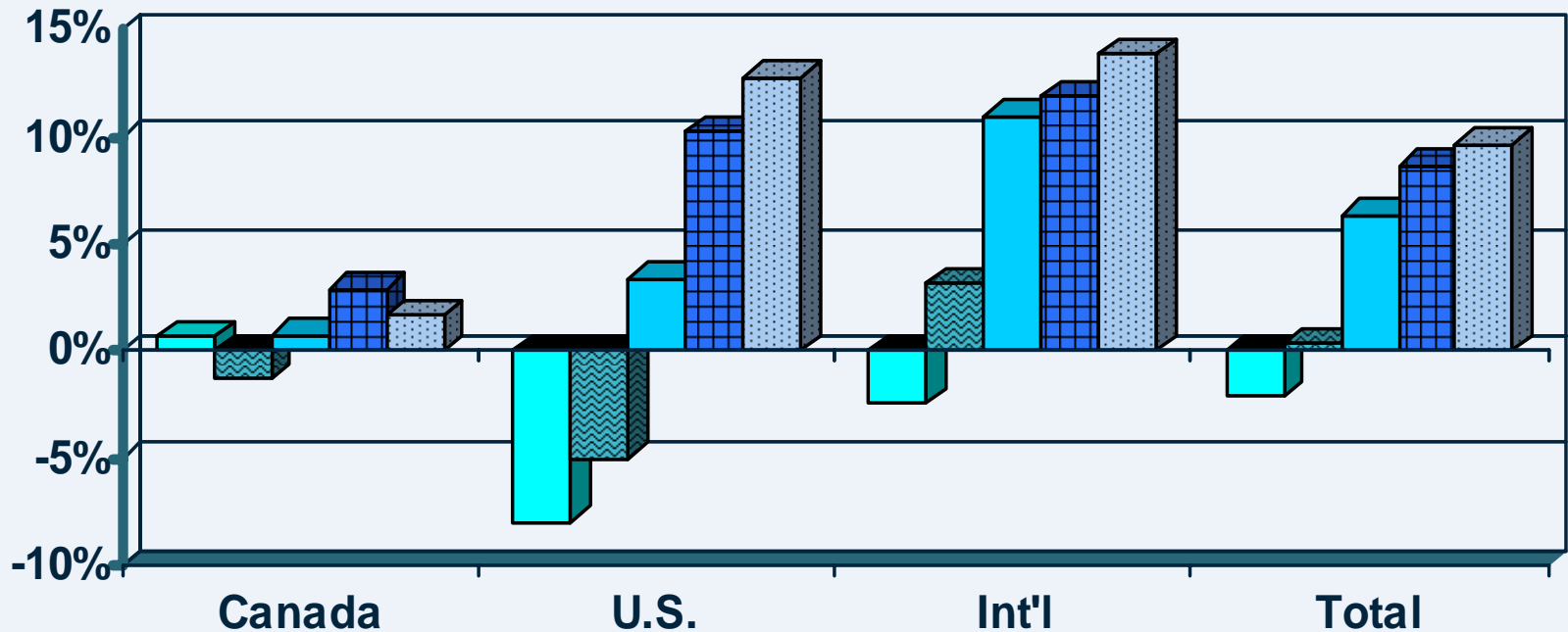


■ Q3 2009/2008
 ■ Q4 2009/2008
 ■ Q1 2010/2009
 ■ Q2 2010/2009
 ■ Q3/2010/2009

System Traffic Increased 9.7% on Capacity Growth of 8.2%

(Y-O-Y Changes in Traffic)

% Change in RPMs

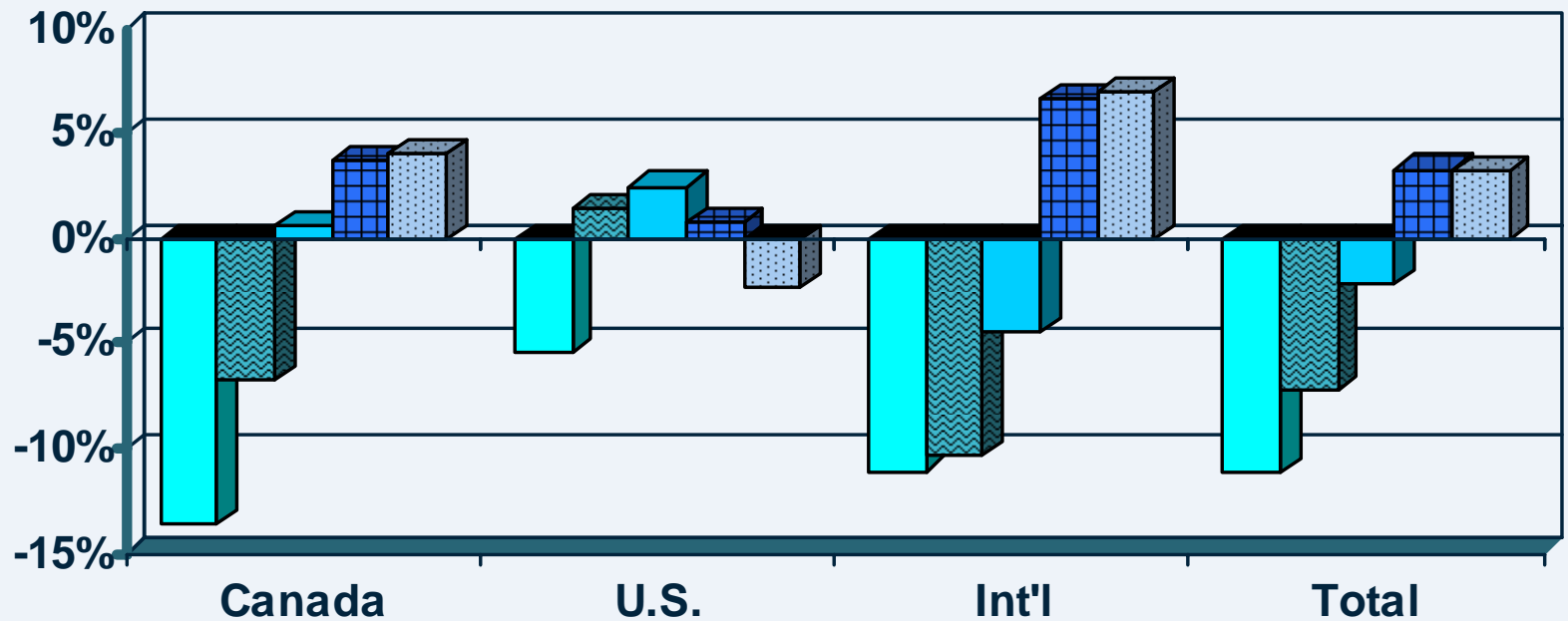


■ Q3 2009/2008 ■ Q4 2009/2008 ■ Q1 2010/2009 ■ Q2 2010/2009 ■ Q3 2010/2009

Despite Unfavourable Foreign Currency Impact, Yield Up 3.2%

(Y-O-Y Changes in Passenger Yield)

% Change in Yield

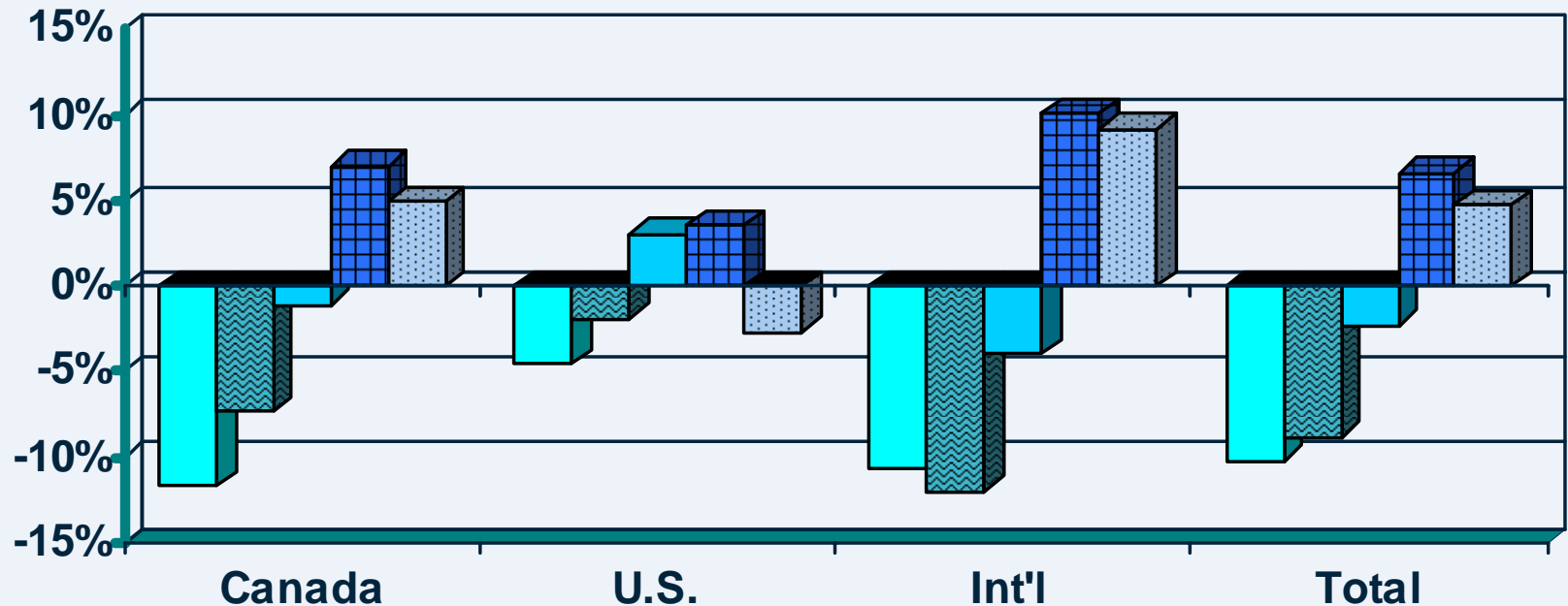


■ Q3 2009/2008 ■ Q4 2009/2008 ■ Q1 2010/2009 ■ Q2 2010/2009 ■ Q3 2010/2009

System RASM Increased 4.7% due to 3.2% Yield Growth and 1.2 PP LF Improvement – Pacific Up Significantly at 24% YOY

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

% Change in RASM

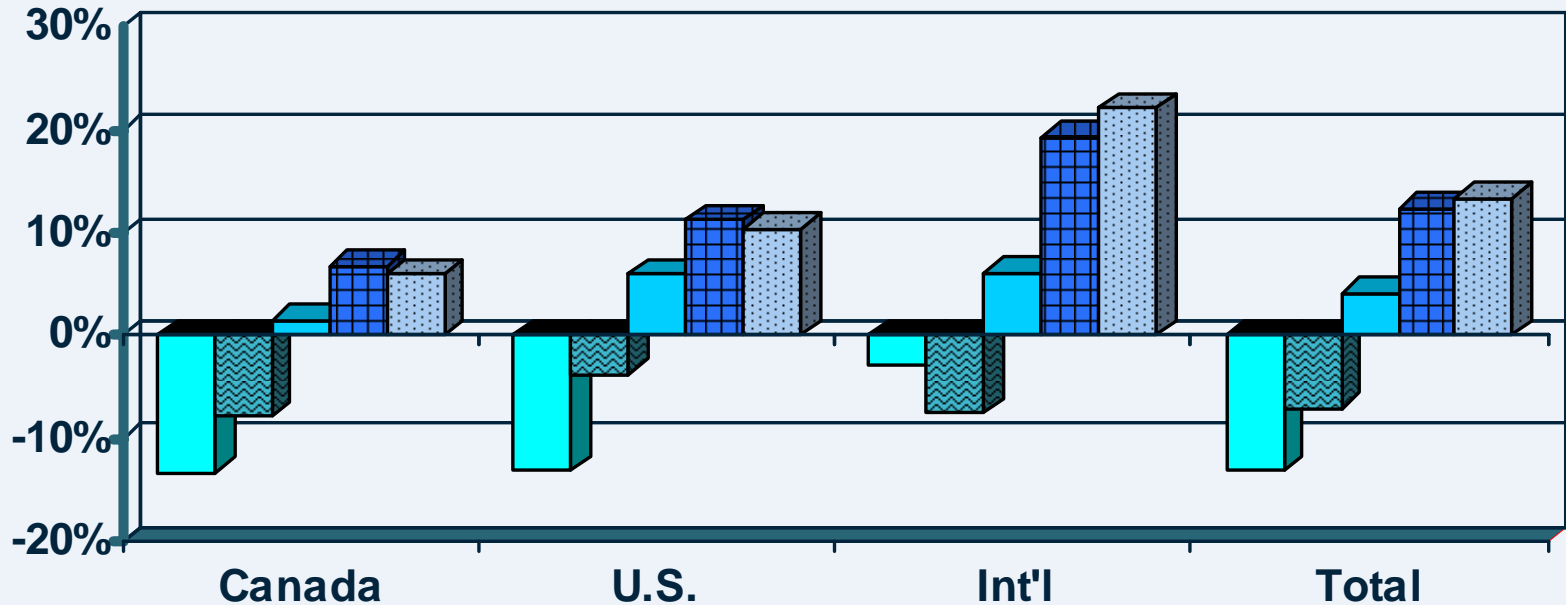


■ Q3 2009/2008
 ■ Q4 2009/2008
 ■ Q1 2010/2009
 ■ Q2 2010/2009
 ■ Q3 2010/2009

System Revenues Increased 13.4% due to 9.7% Traffic Growth and 3.2% Yield Improvement

(Y-O-Y Changes in Passenger Revenue)

% Change in Revenue



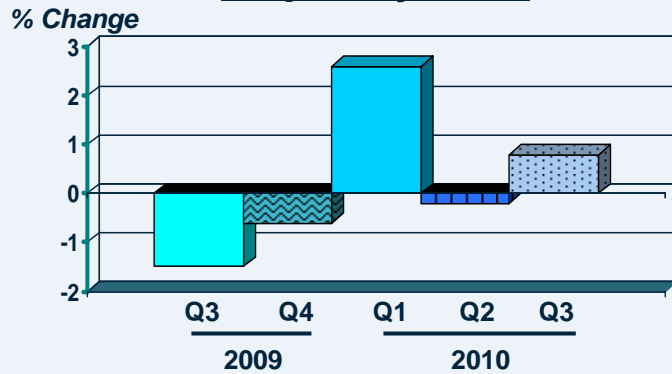
■ Q3 2009/2008 ■ Q4 2009/2008 ■ Q1 2010/2009 ■ Q2 2010/2009 ■ Q3 2010/2009

Canada –

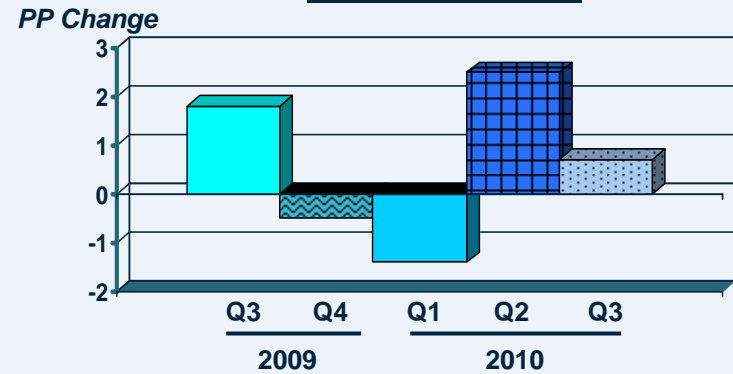
RASM Increased 5.0% Mainly Due to 4.1% Yield Growth

Y-O-Y Change

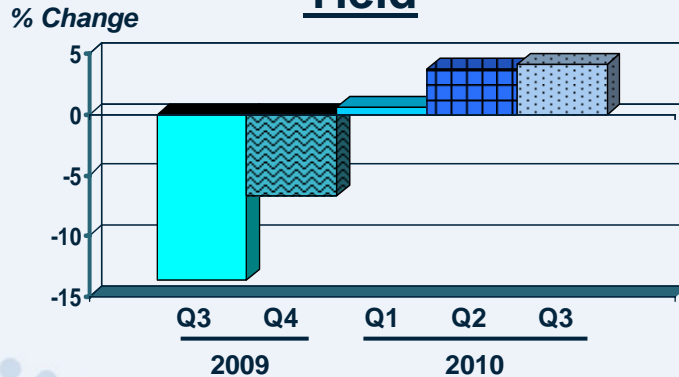
Capacity (ASM)



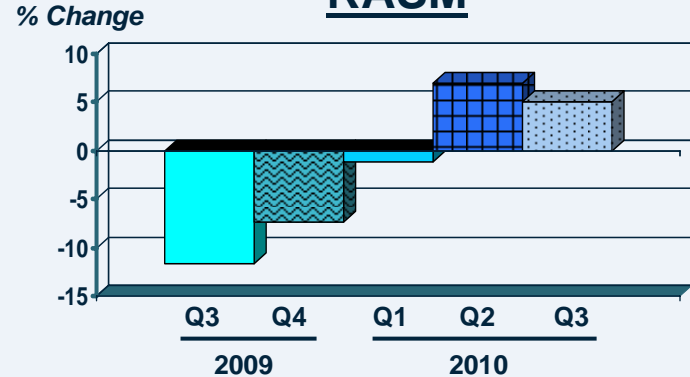
Load Factor



Yield



RASM

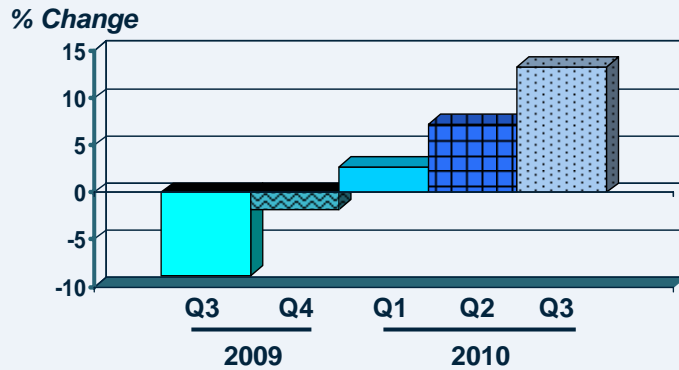


US Transborder –

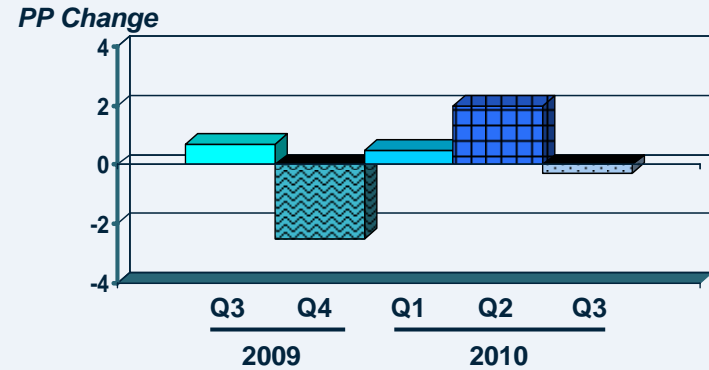
RASM Decreased 2.7% Due Mostly to a 2.3% Drop in Yield

Y-O-Y Change

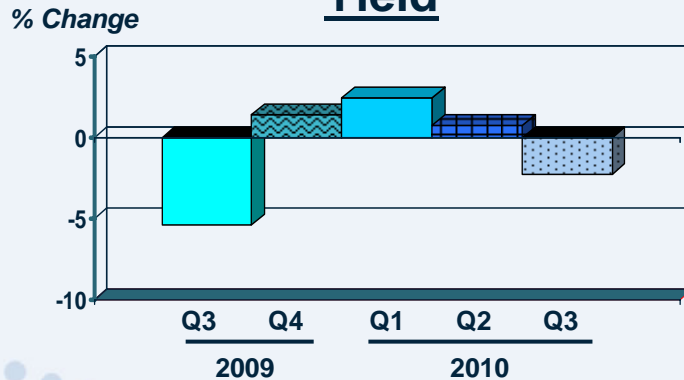
Capacity (ASM)



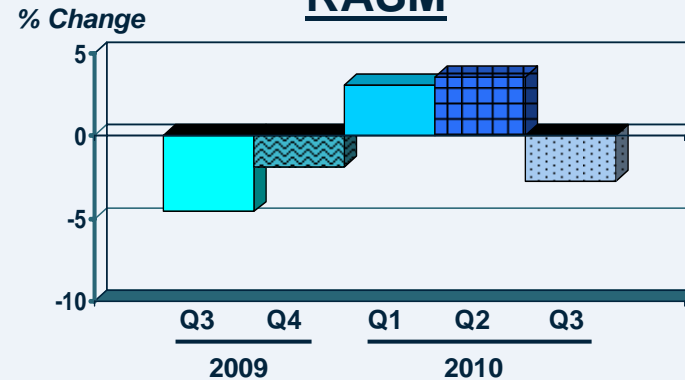
Load Factor



Yield



RASM

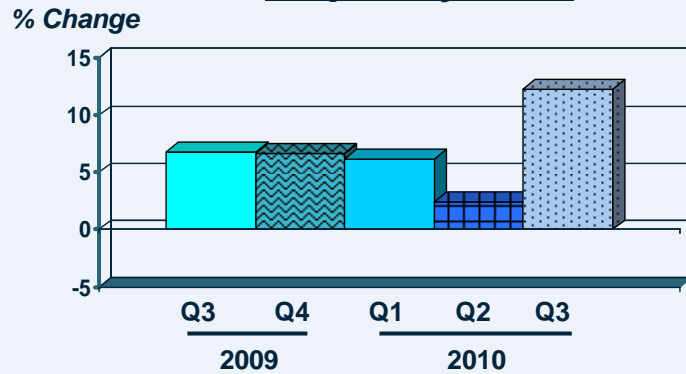


Atlantic –

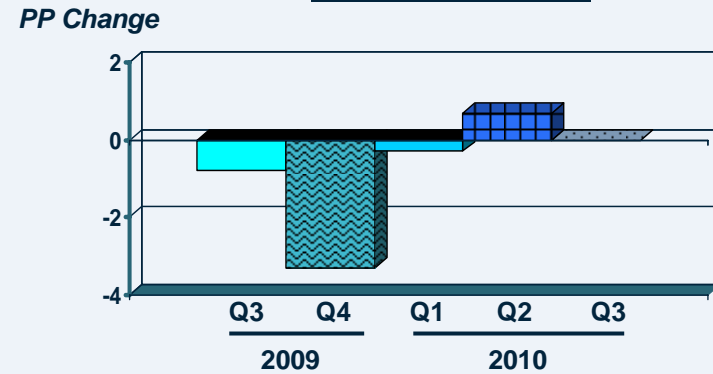
RASM Increased 3.4% Due to 3.5% Yield Growth

Y-O-Y Change

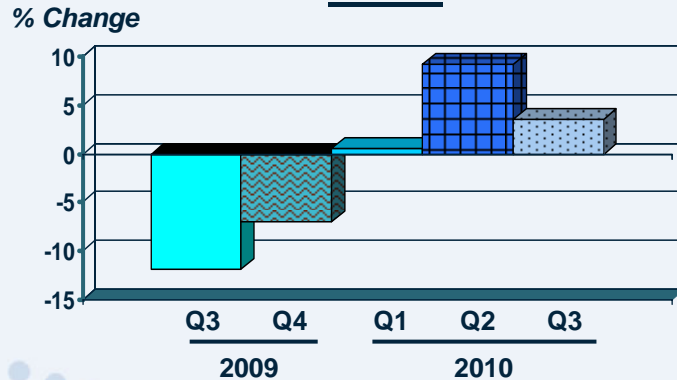
Capacity (ASM)



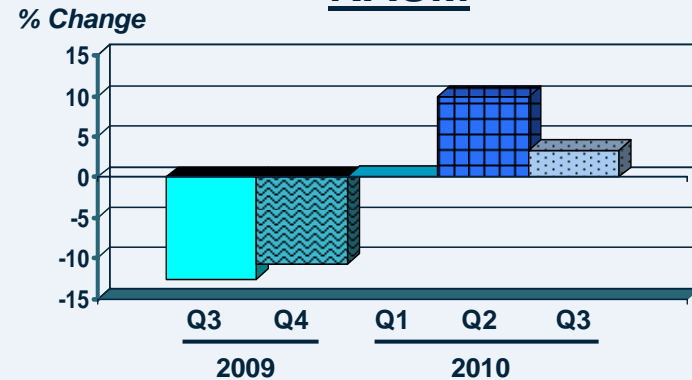
Load Factor



Yield



RASM

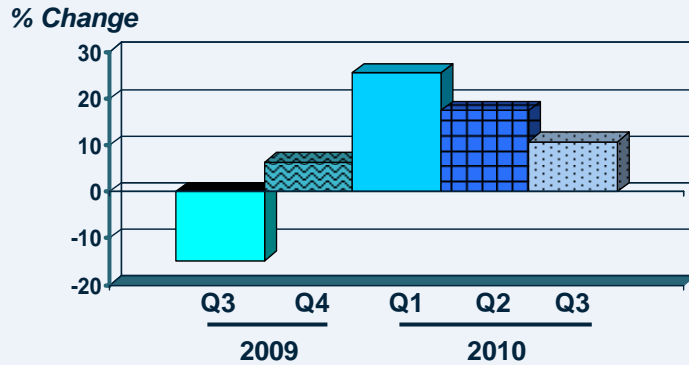


Pacific –

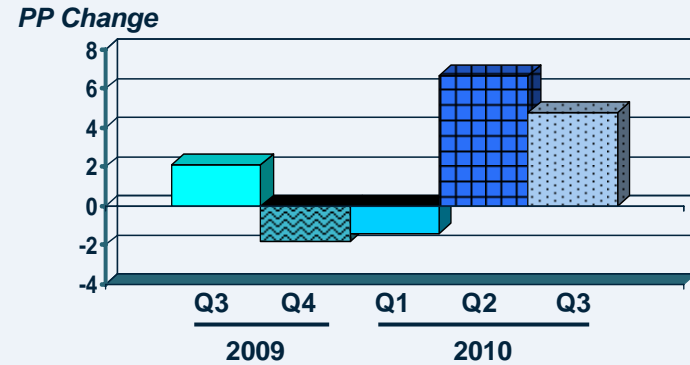
RASM Increased 24.1% Due to 17.5% Higher Yield and 4.8 PP LF Improvement

Y-O-Y Change

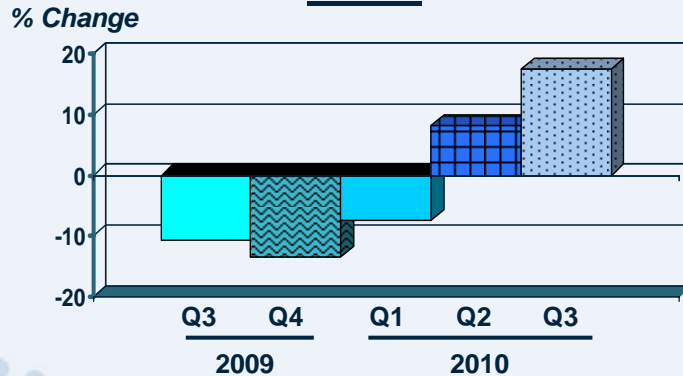
Capacity (ASM)



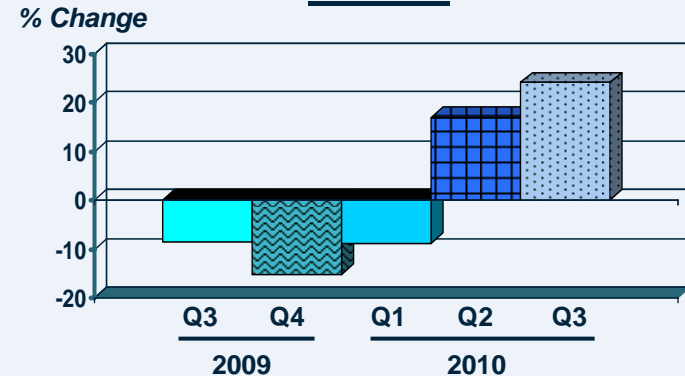
Load Factor



Yield



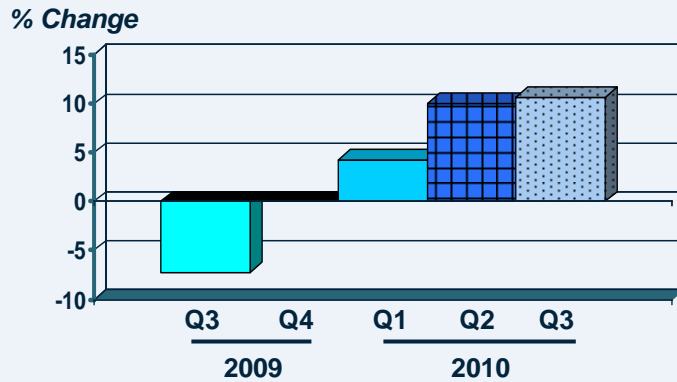
RASM



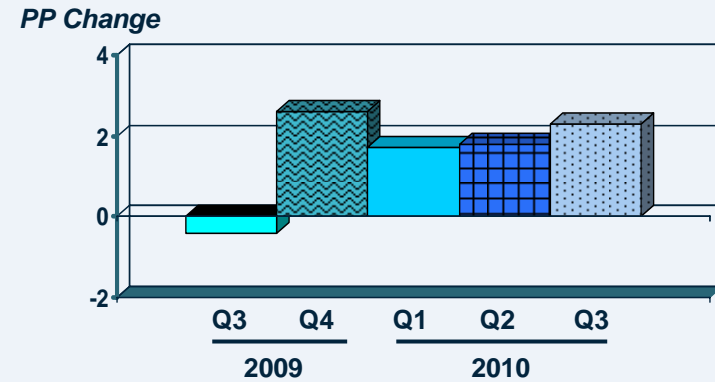
Australia, Caribbean, Mexico & S. A. ("Other") – RASM Incr. 6.7% Due to 3.7% Higher Yield & 2.3 PP LF Improvement

Y-O-Y Change

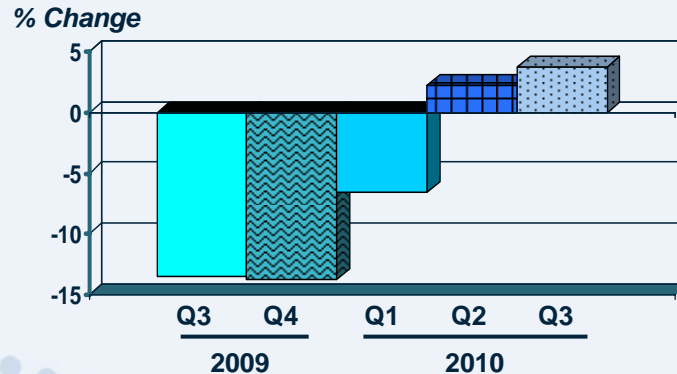
Capacity (ASM)



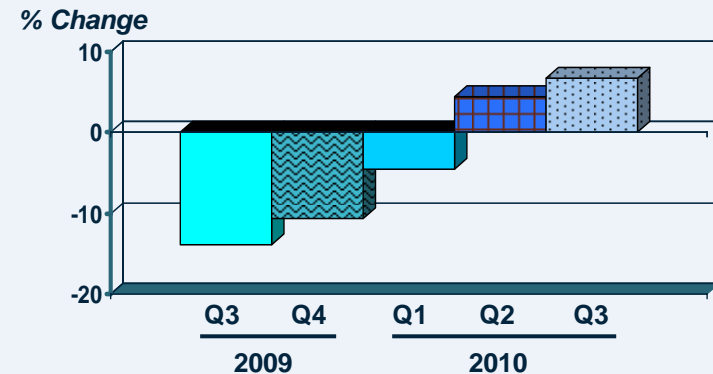
Load Factor



Yield



RASM

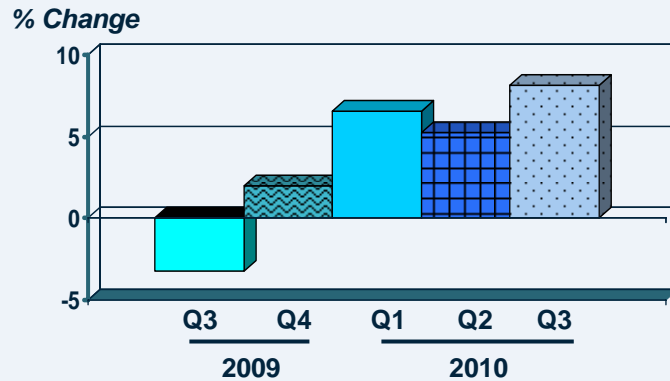


Total –

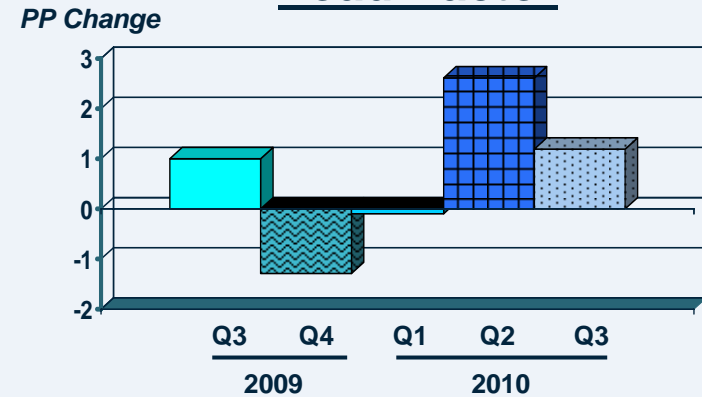
RASM Incr. 4.7% Due to 3.2% Higher Yield and 1.2 PP LF Improvement

Y-O-Y Change

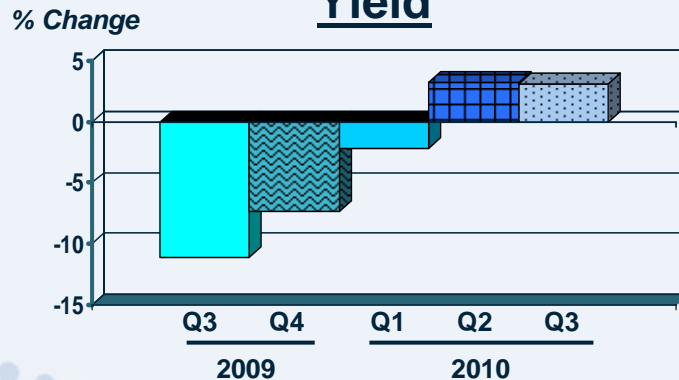
Capacity (ASM)



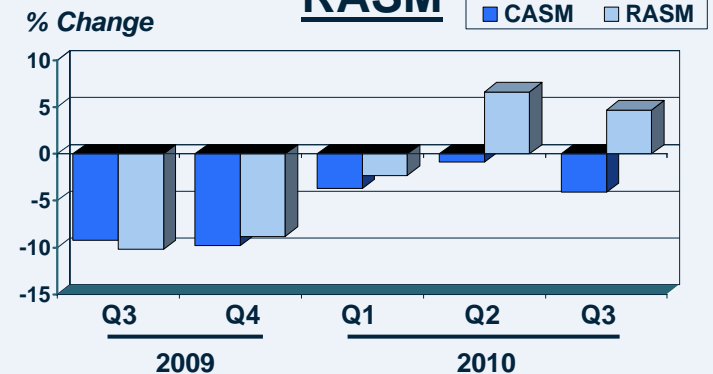
Load Factor



Yield



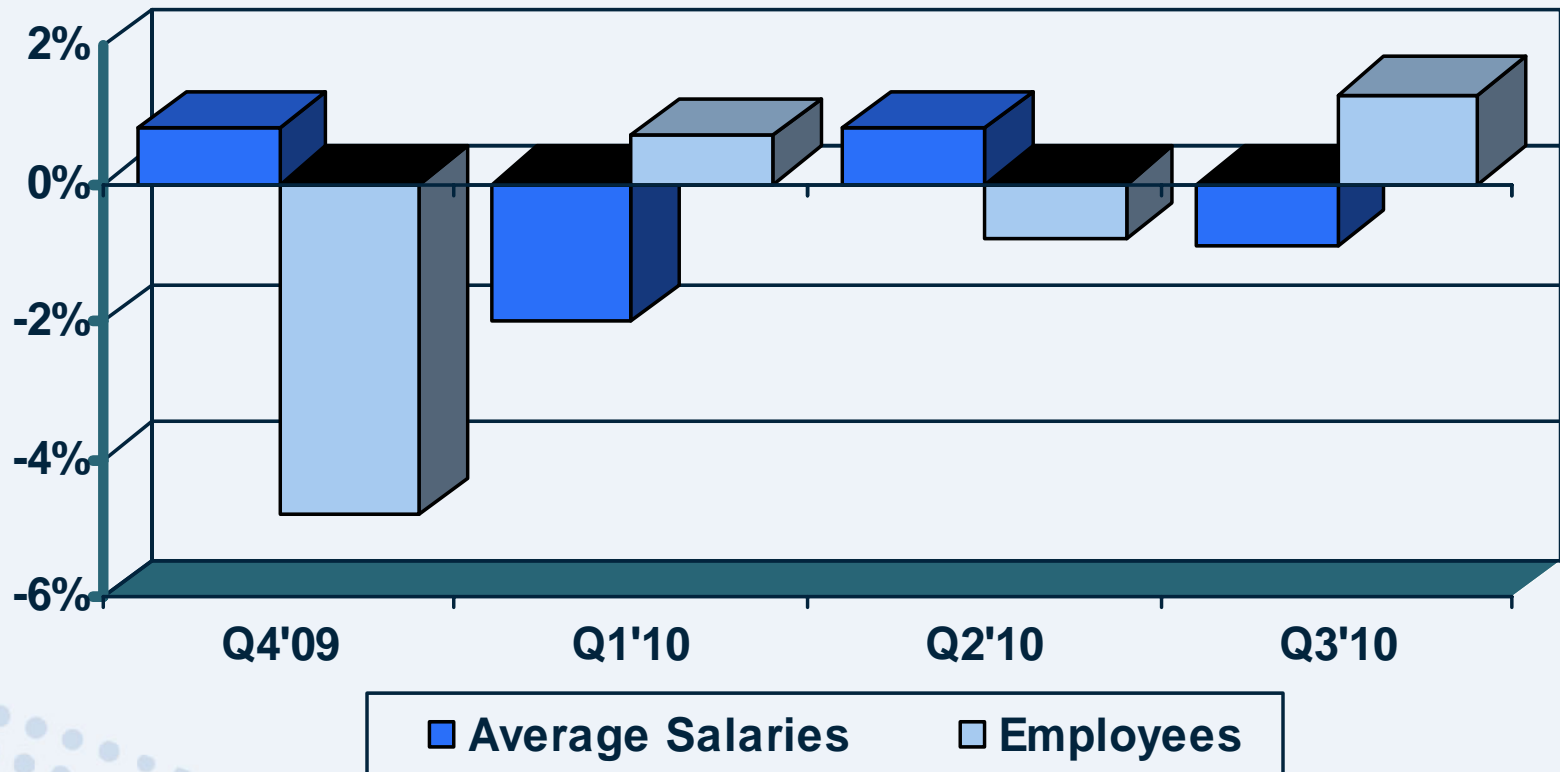
RASM



SW&B Expenses Up 8.0% Due to Increase in Pension Expense – Employee Levels Increased by 1.3%

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

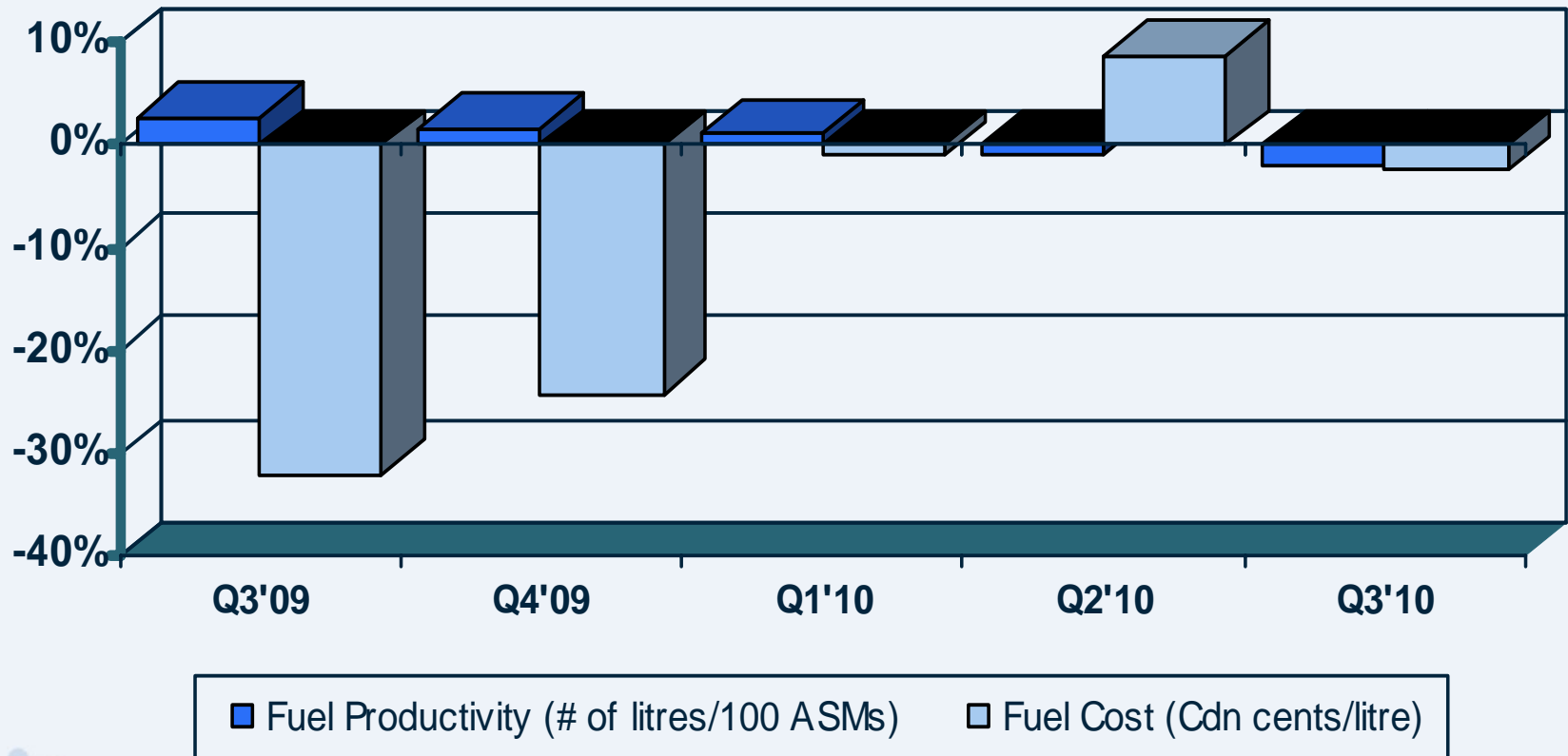
% Change Y-O-Y



Fuel Cost Per Litre Down 2.5% – Fuel Productivity Down 1.9% – Economic Cost of Fuel Per Litre Up 7.0%

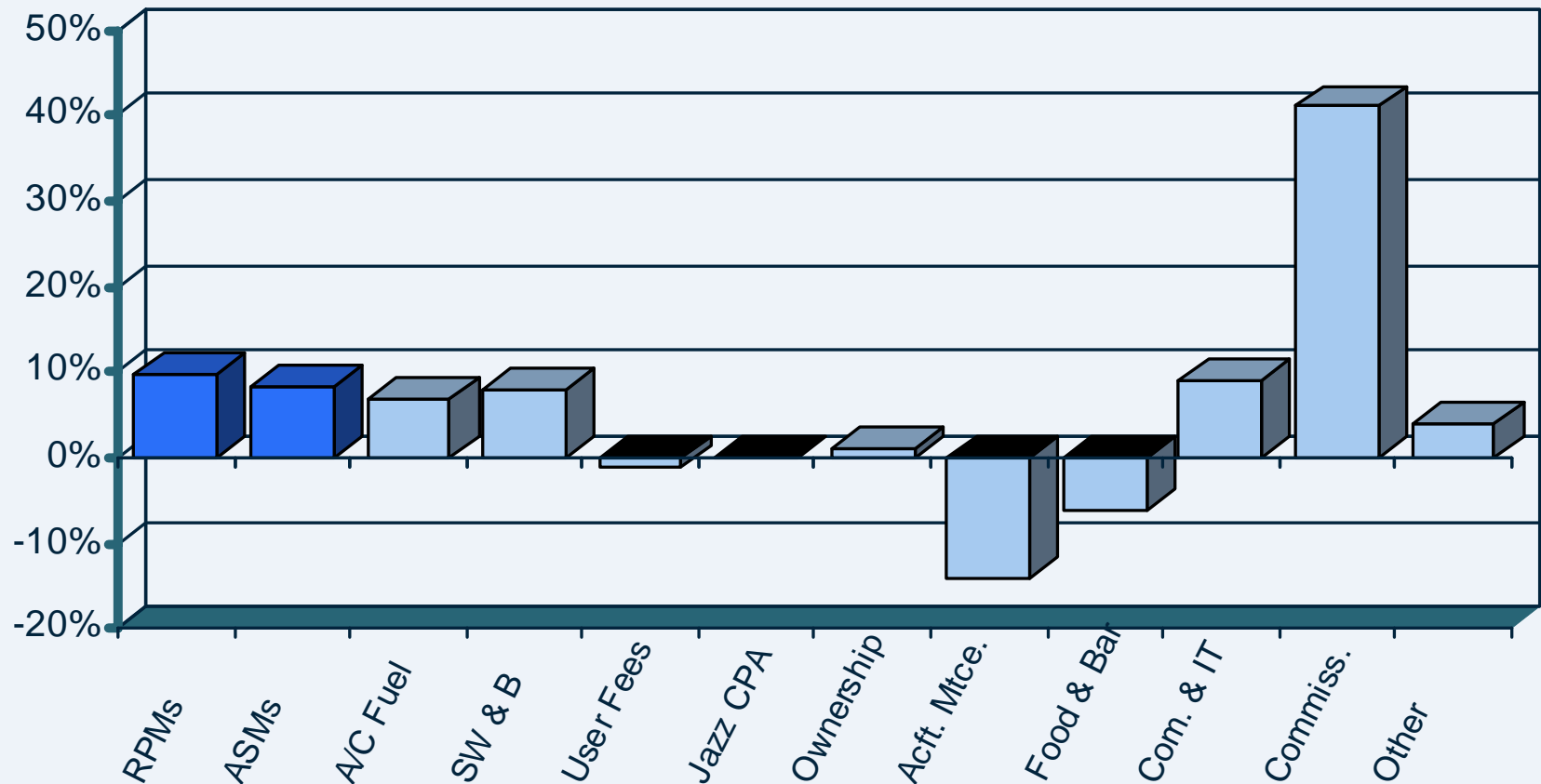
(Fuel Productivity & Cost per Litre)

% Change Y-O-Y



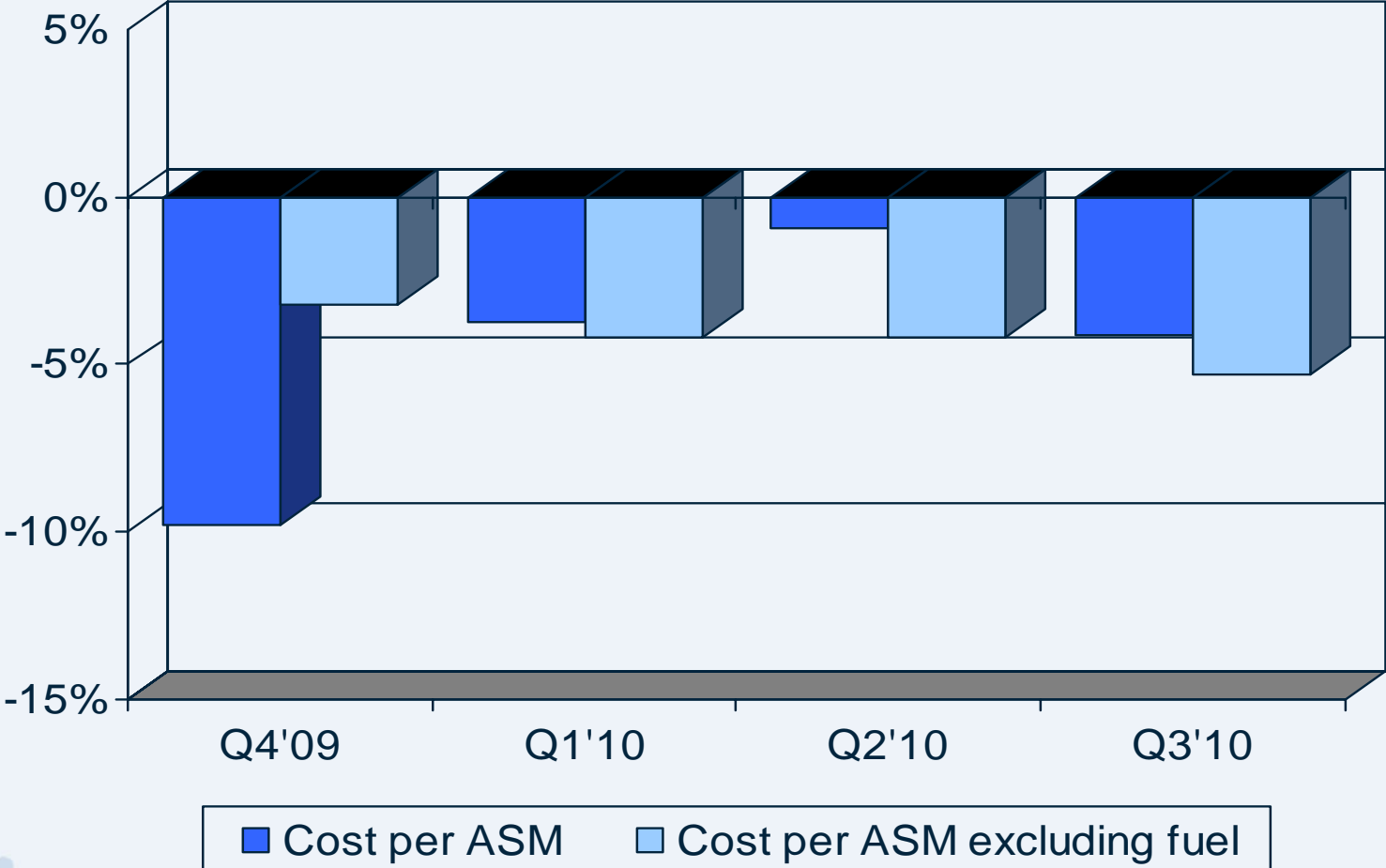
Oper. Exp. Up \$97M Largely on 8.2% ASM Growth, Higher Fuel Prices, Increased Pension Expense & Fav FX – Partly Offset by Lower Acft. Mtce. Exp.

% Change Y-O-Y



Unit Cost Down 4.1% – Down 5.3% Excluding Fuel – Fav FX, Capacity Growth & CTP Initiatives Largest Contributing Factors

% Change Y-O-Y



Further Information

For further information on Air Canada's public disclosure file, including *Air Canada's Third Quarter 2010 MD&A* dated November 4, 2010 and *Air Canada's Annual Information Form*, consult Air Canada's website at **aircanada.com** or SEDAR at **www.sedar.com**



