

2011

**First Quarter
Financial Results**

May 5, 2011



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Financial Highlights – Results of Operations

Q1 11 / Q1 10

<i>(millions)</i>	Q1 2011	Q1 2010	Change
Operating revenue	\$ 2,753	\$ 2,519	\$ 234
Operating loss	\$ (66)	\$ (136)	\$ 70
EBITDAR	\$ 207	\$ 150	\$ 57
Loss for the period	\$ (19)	\$ (112)	\$ 93
Operating margin	(2.4)%	(5.4)%	3.0 PP
EBITDAR margin	7.5%	6.0%	1.5 PP
Oper. RASM (cents)	17.4	17.1	1.5%
CASM (cents)	17.8	18.0	(1.4)%
CASM excl. fuel (cents)	13.1	13.8	(5.3)%
Economic fuel price/litre (cents)	78.2	66.2	18.1%

Financial Highlights – Financial Position and Cash Flow

Q1 11 / Q1 10

<i>(millions)</i>	Q1 2011	Q1 2010	Change
Cash flow from operations	\$ 252	\$ 292	\$ (40)
Additions to property, equipment & intangible assets	\$ (62)	\$ (77)	\$ 15
Free cash flow	\$ 190	\$ 215	\$ (25)
Cash, cash equivalents & short-term investments at March 31	\$ 2,114	\$ 1,621	\$ 493
Adjusted net debt	\$ 4,643	\$ 5,254	\$ (611)

Non-Operating Expense

Q1 11 / Q1 10

<i>(millions)</i>	Q1 2011	Q1 2010	Change
Foreign exchange gain	\$ 104	\$ 123	\$ (19)
Interest income	\$ 9	\$ 2	\$ 7
Interest expense	\$ (84)	\$ (83)	\$ (1)
Net financing expense relating to employee benefit liabilities	\$ (4)	\$ (19)	\$ 15
Gain on financial instruments recorded at fair value	\$ 27	\$ 2	\$ 25
Other	\$ (5)	\$ (2)	\$ (3)
Total Non-Operating Expense	\$ 47	\$ 23	\$ 24

Q1 2011 Versus Q1 2010

	Passenger Revenue (%)	Capacity (ASMs) (%)	Traffic (RPMs) (%)	Passenger LF (PP)	Yield (%)	Passenger RASM (%)
Canada	↑ 8.4	↓ 0.9	↓ 0.5	↑ 0.4	↑ 8.7	↑ 9.2
US Transborder	↑ 14.5	↑ 10.8	↑ 11.5	↑ 0.4	↑ 2.5	↑ 3.1
Atlantic	↑ 0.8	↑ 6.2	↓ 0.8	↓ 5.0	↑ 1.3	↓ 5.4
Pacific	↑ 17.0	↑ 21.5	↑ 16.0	↓ 4.0	↑ 0.7	↓ 3.9
Other	↑ 16.4	↑ 9.1	↑ 7.7	↓ 1.1	↑ 8.1	↑ 6.7
Total	↑ 10.3	↑ 7.7	↑ 5.7	↓ 1.5	↑ 4.2	↑ 2.2

Total Operating Expense ↑ 6.0%

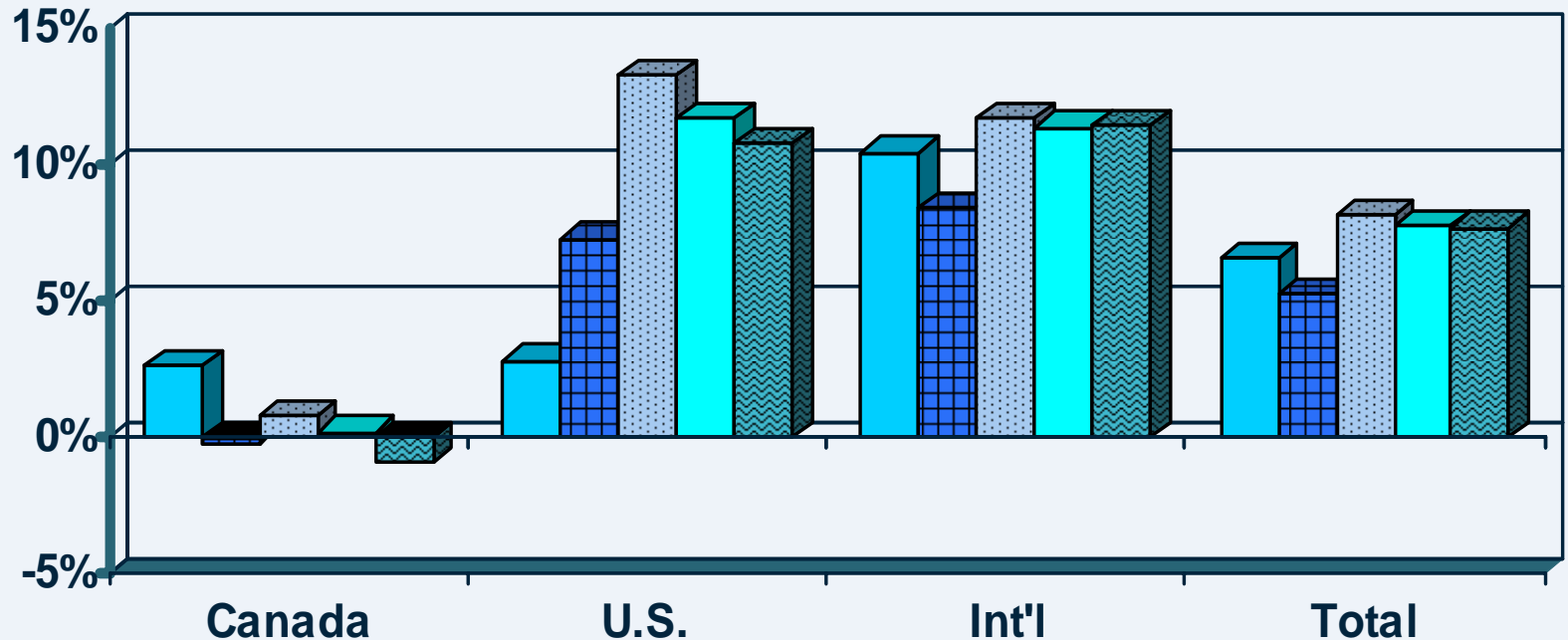
Total CASM ↓ 1.4%

Total CASM - excluding fuel ↓ 5.3%

System Capacity Increased 7.7% – Pacific Capacity Up 21.5% – US Transborder & Int'l Combined Capacity Up 11.3%

(Y-O-Y Changes in Capacity)

% Change in ASMs

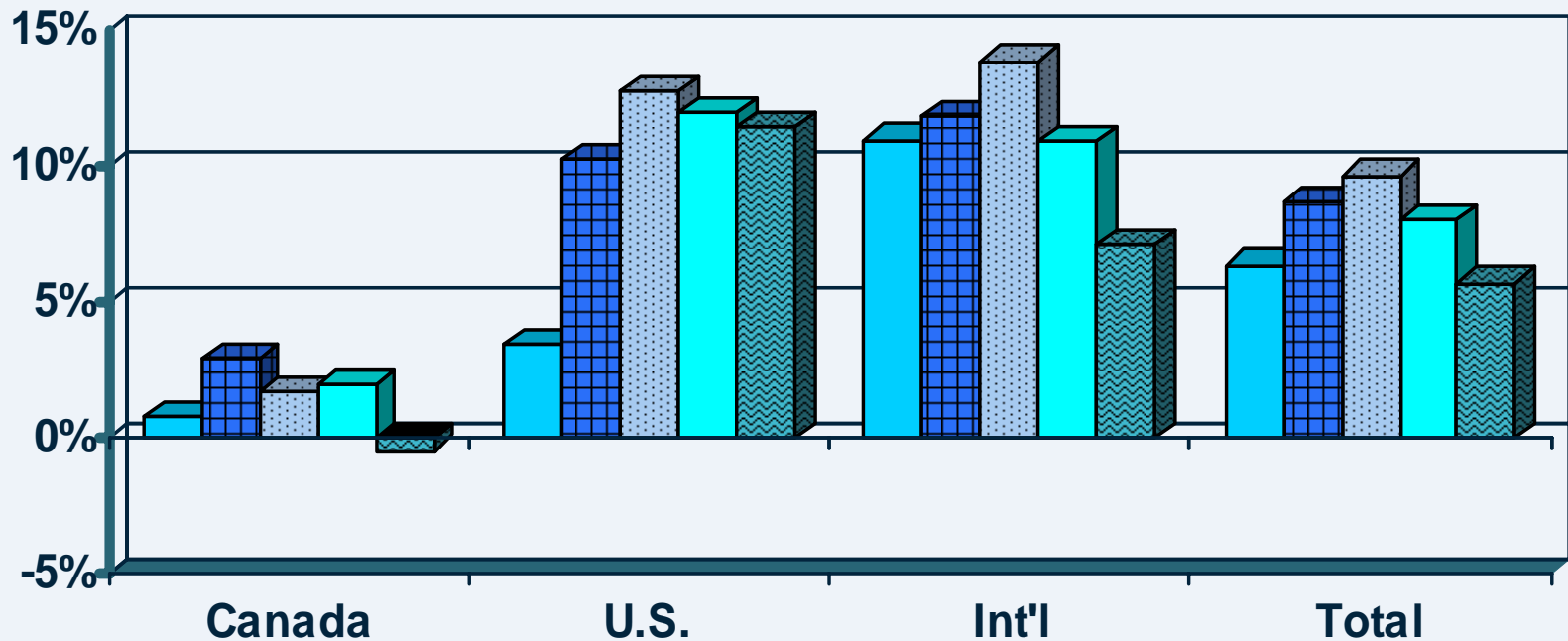


■ Q1 2010/2009 ■ Q2 2010/2009 ■ Q3 2010/2009 ■ Q4 2010/2009 ■ Q1 2011/2010

System Traffic Increased 5.7% - US Transborder and Pacific, Up 11.5% and 16.0% Respectively

(Y-O-Y Changes in Traffic)

% Change in RPMs

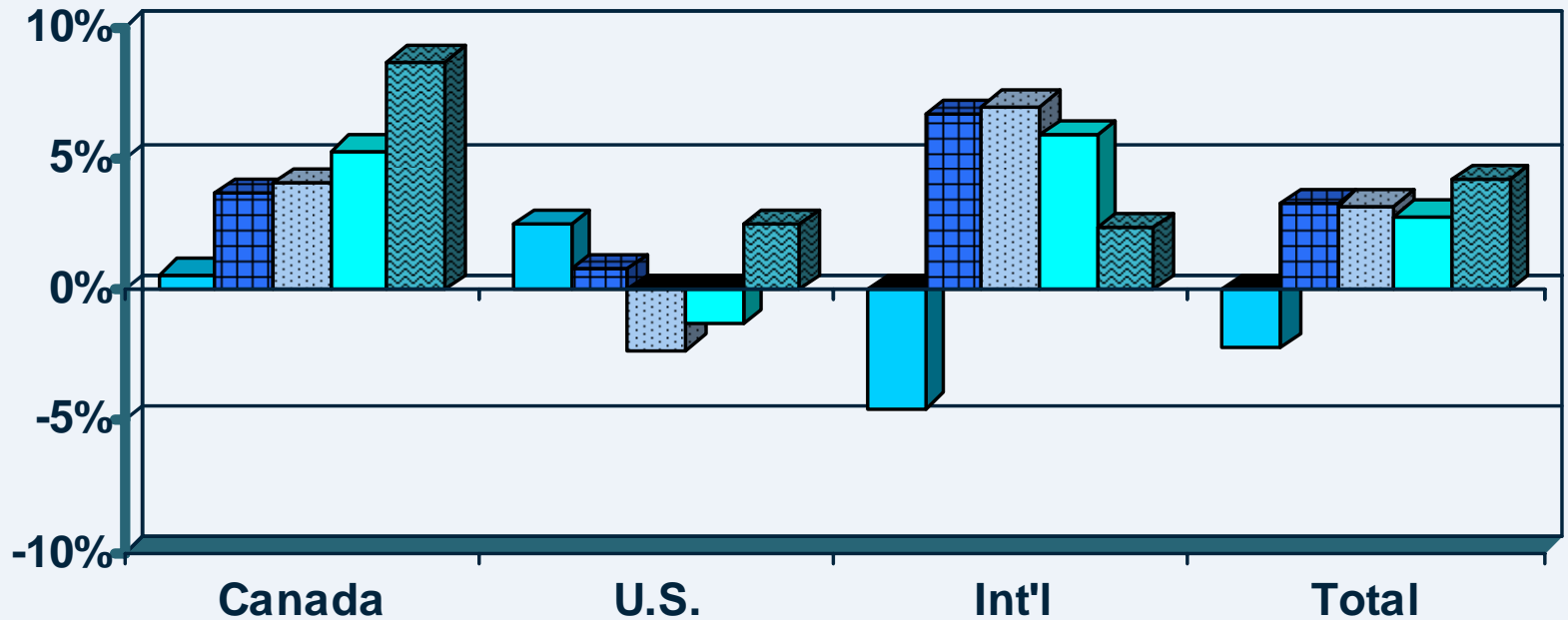


■ Q1 2010/2009 ■ Q2 2010/2009 ■ Q3 2010/2009 ■ Q4 2010/2009 ■ Q1 2011/2010

Yield Improved 4.2% Mainly on Higher Fuel Surcharges & Higher Fares

(Y-O-Y Changes in Passenger Yield)

% Change in Yield

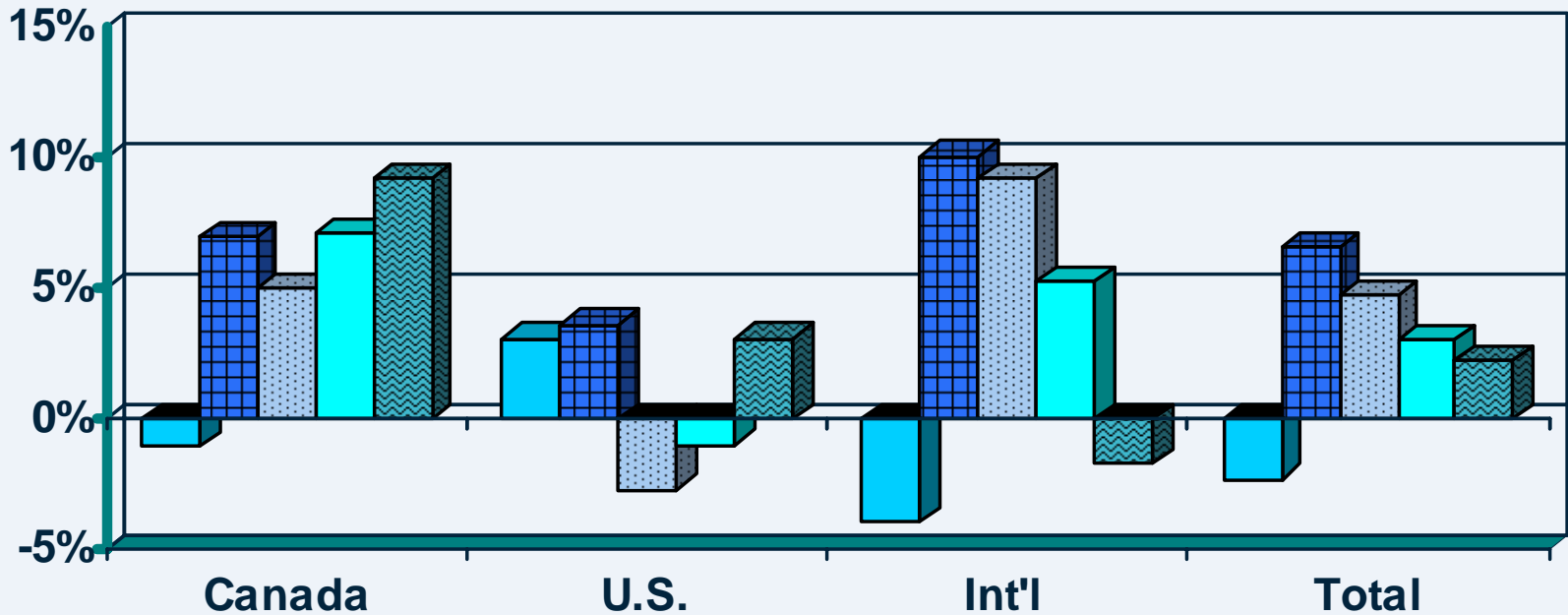


■ Q1 2010/2009 ■ Q2 2010/2009 ■ Q3 2010/2009 ■ Q4 2010/2009 ■ Q1 2011/2010

System Passenger RASM Increased 2.2% due to 4.2% Yield Growth; Partly Offset By LF Decrease of 1.5 PP

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

% Change in RASM

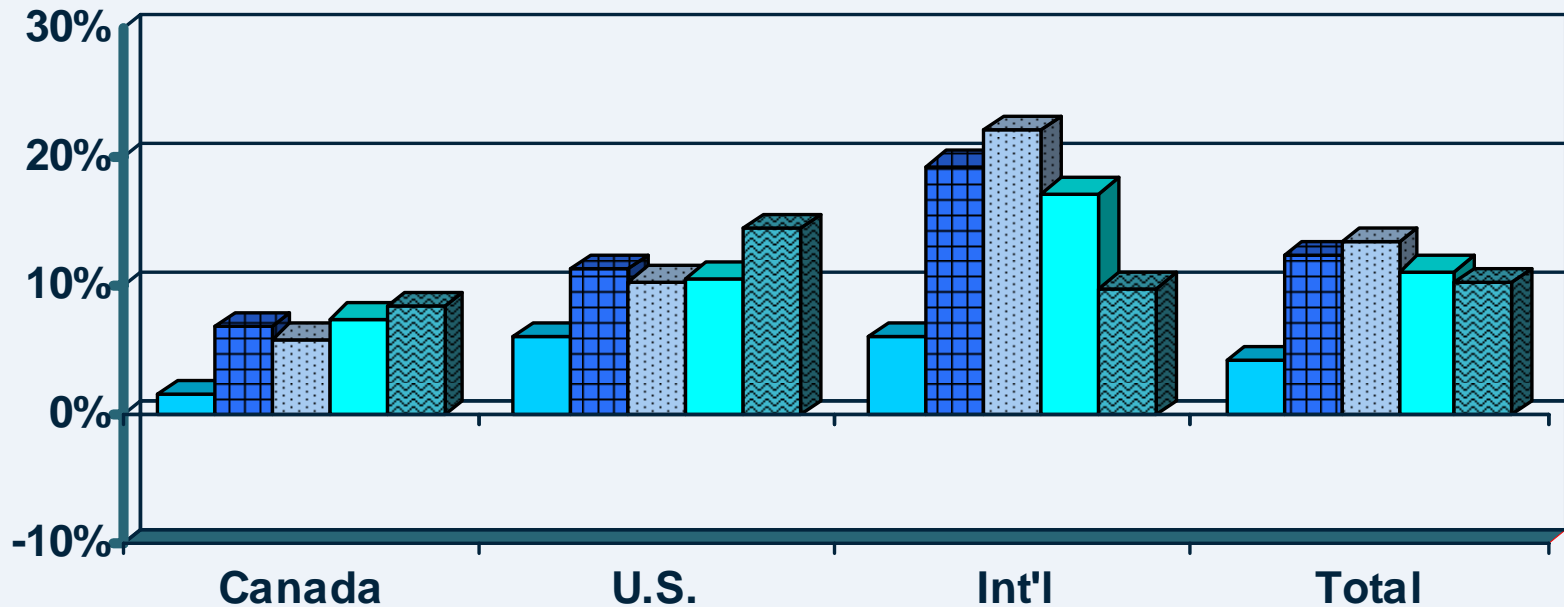


■ Q1 2010/2009 ■ Q2 2010/2009 ■ Q3 2010/2009 ■ Q4 2010/2009 ■ Q1 2011/2010

System Revenues Increased 10.3% due to 5.7% Traffic Growth and 4.2% Yield Improvement

(Y-O-Y Changes in Passenger Revenue)

% Change in Revenue



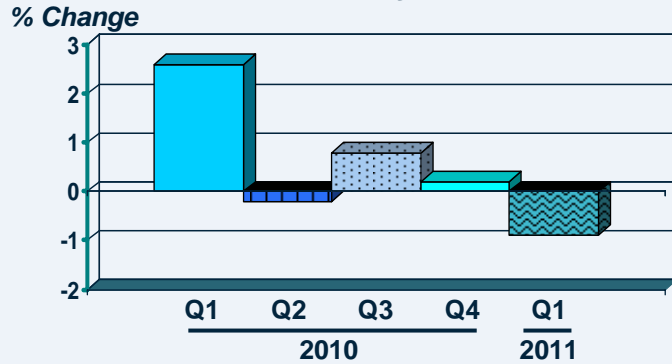
■ Q1 2010/2009 ■ Q2 2010/2009 ■ Q3 2010/2009 ■ Q4 2010/2009 ■ Q1 2011/2010

Canada

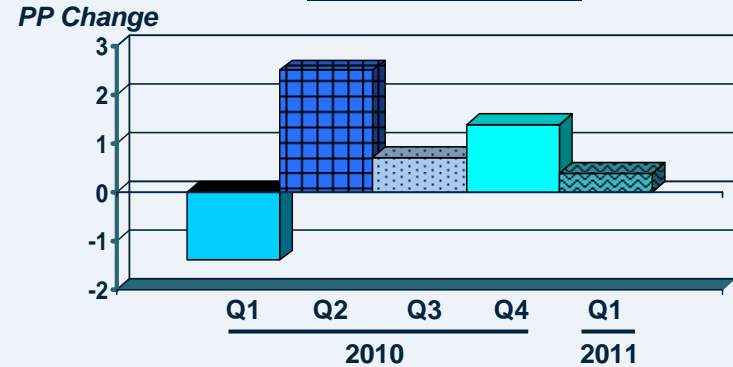
Passenger RASM Increased 9.2% Mainly Due to Yield Growth of 8.7%

Y-O-Y Change

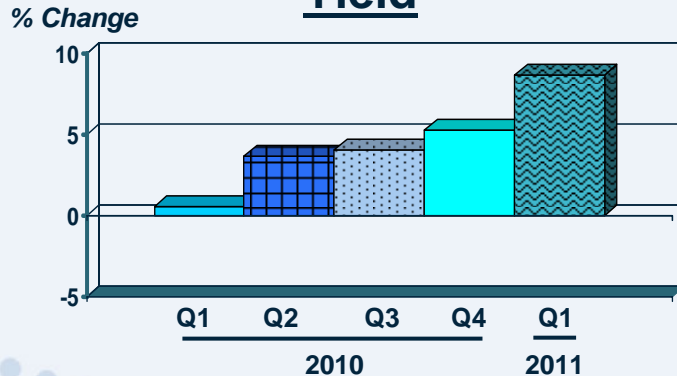
Capacity (ASM)



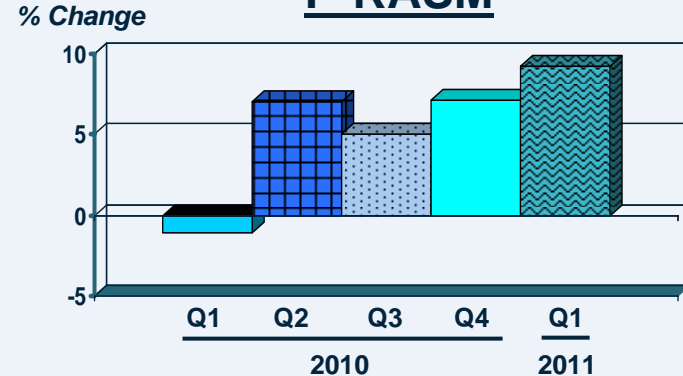
Load Factor



Yield



P-RASM

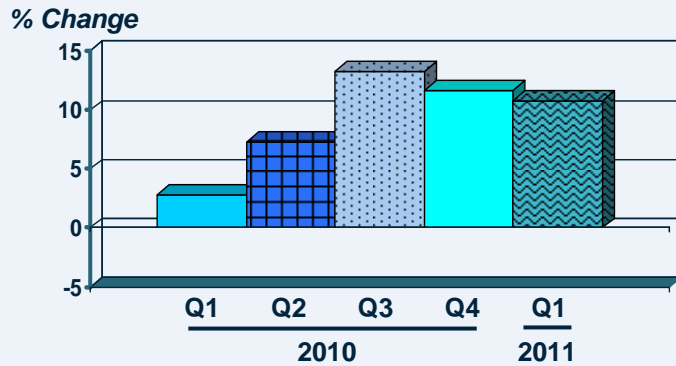


US Transborder

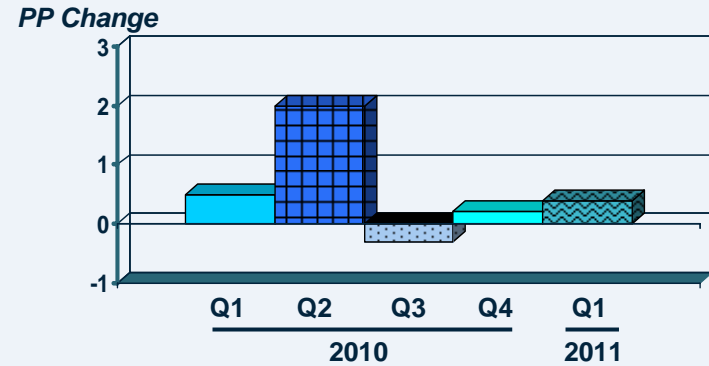
Passenger RASM Increased 3.1% Mainly Due to a 2.5% Growth in Yield

Y-O-Y Change

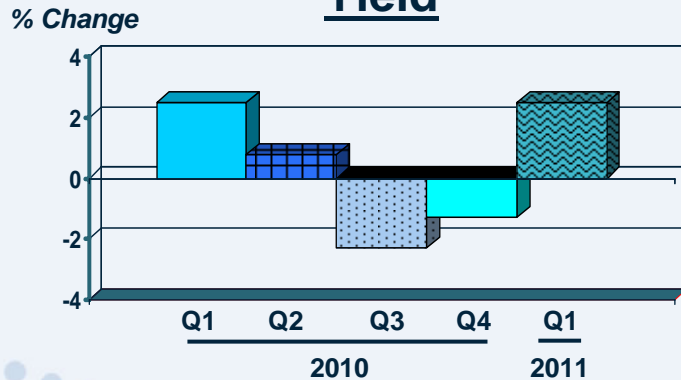
Capacity (ASM)



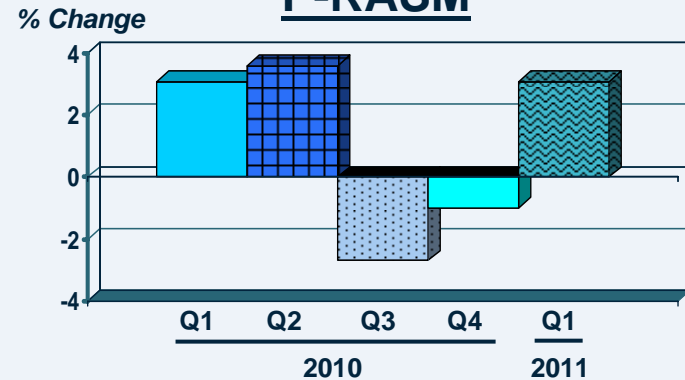
Load Factor



Yield



P-RASM

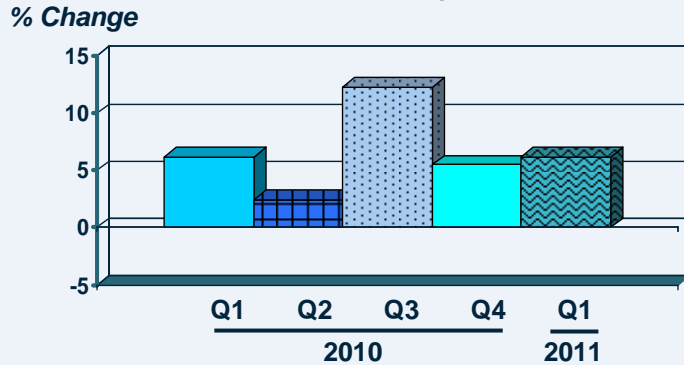


Atlantic

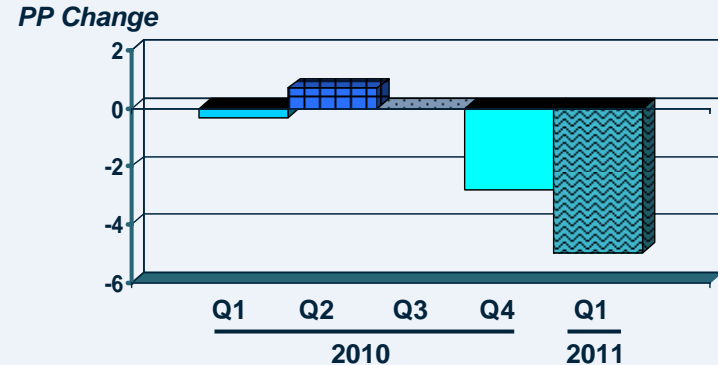
Pass. RASM Decr. 5.4% Due to 5.0 PP Decr. In LF - Partly Offset by 1.3% Yield Incr.

Y-O-Y Change

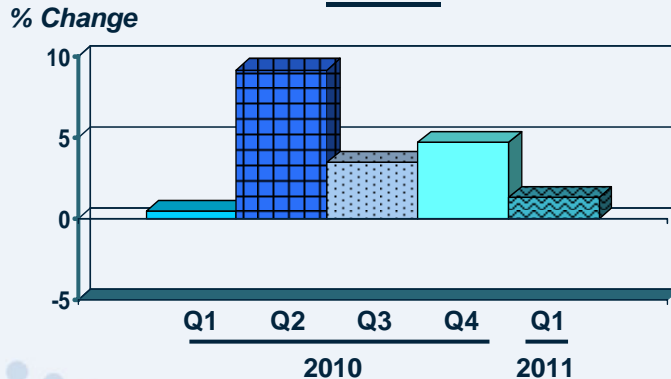
Capacity (ASM)



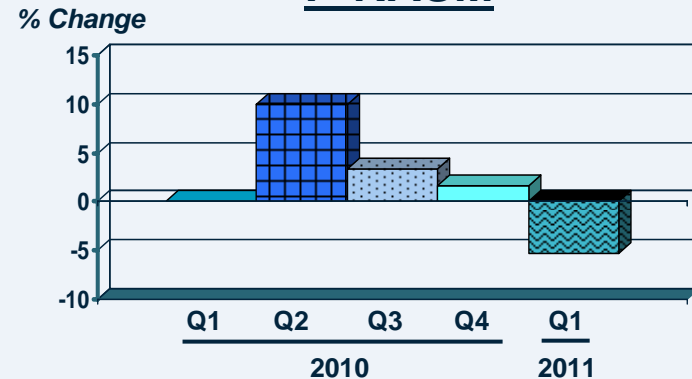
Load Factor



Yield



P-RASM

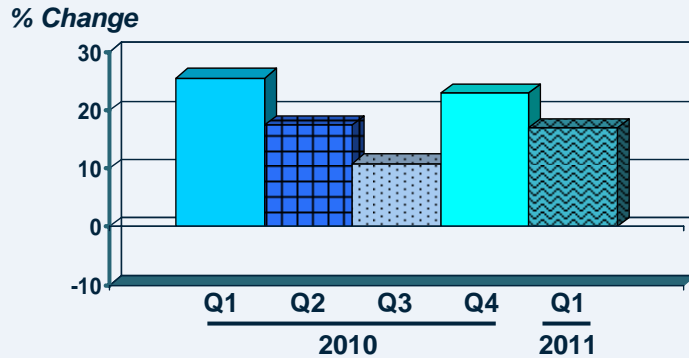


Pacific

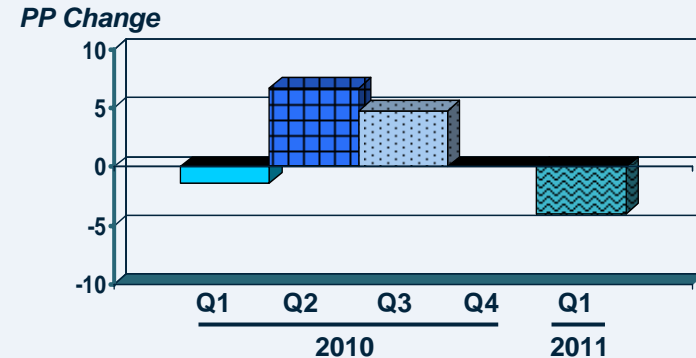
Passenger RASM Decreased 3.9% Mainly Due to 4.0 PP Decrease In LF

Y-O-Y Change

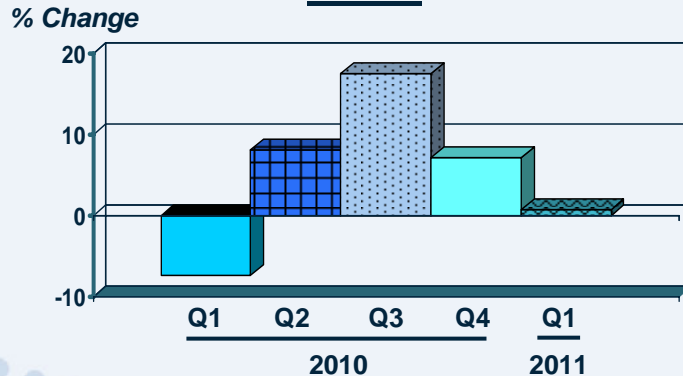
Capacity (ASM)



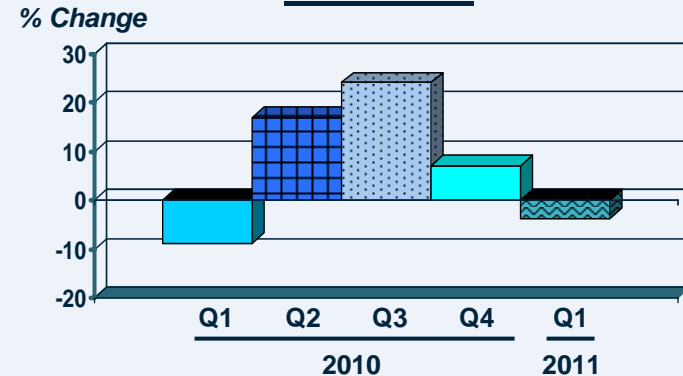
Load Factor



Yield



P-RASM

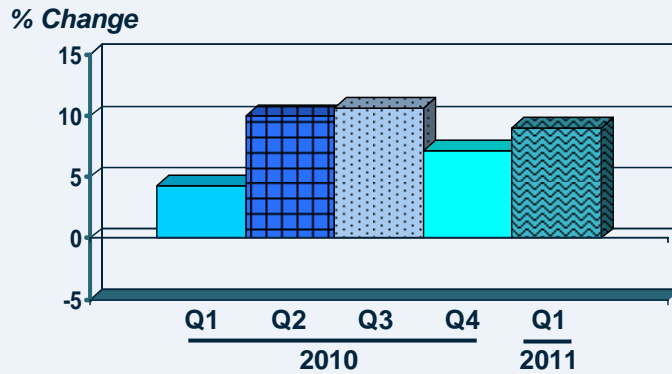


Australia, Caribbean, Mexico & South America ("Other")

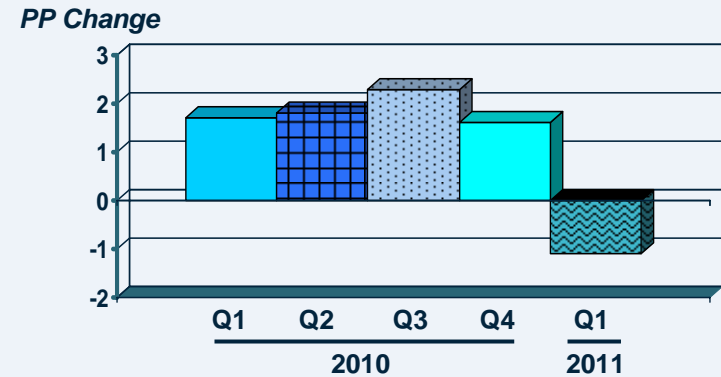
Passenger RASM Incr. 6.7% Due to 8.1% Higher Yield; Partially Offset by 1.1 PP LF Decrease

Y-O-Y Change

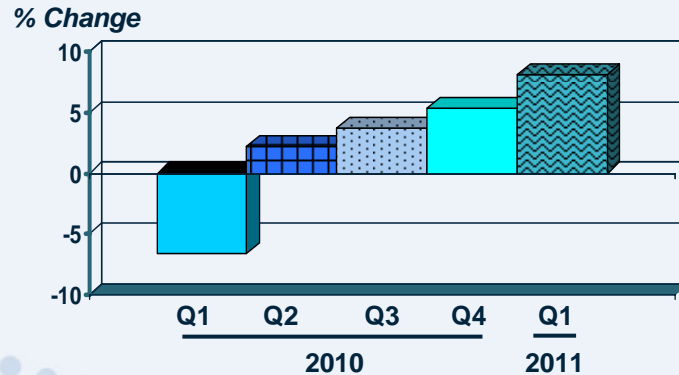
Capacity (ASM)



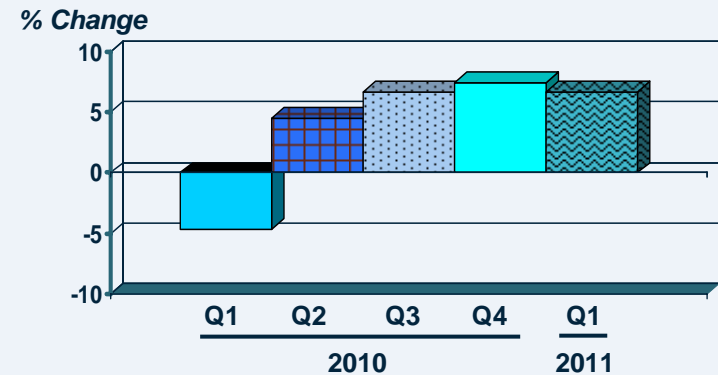
Load Factor



Yield



P-RASM

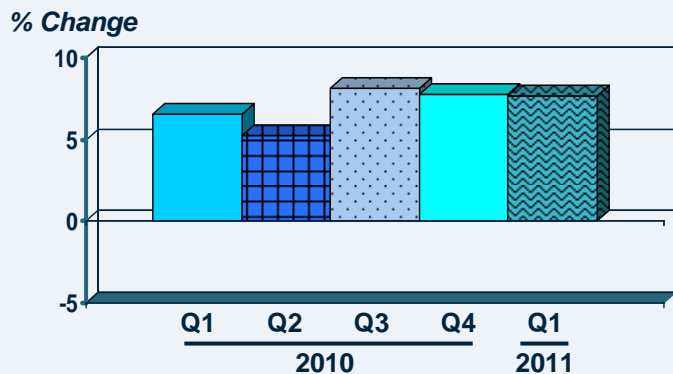


Total / System

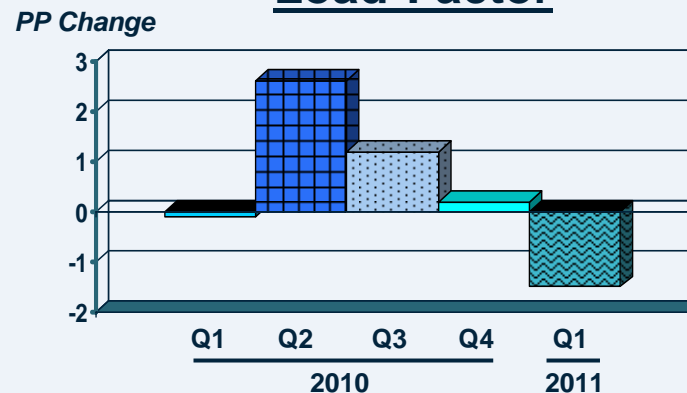
Passenger RASM Increased 2.2% Mainly Due to 4.2% Higher Yield; Partially Offset by LF Decrease of 1.5 PP

Y-O-Y Change

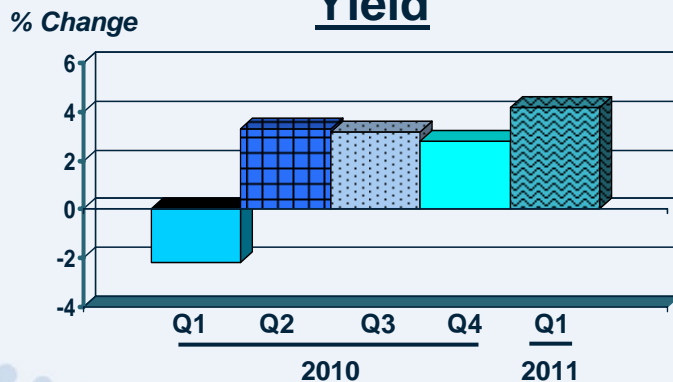
Capacity (ASM)



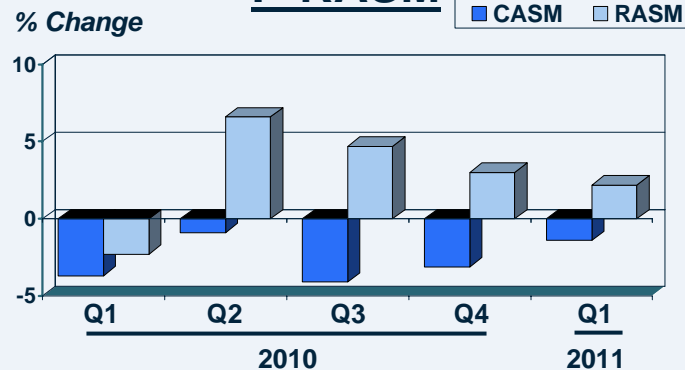
Load Factor



Yield



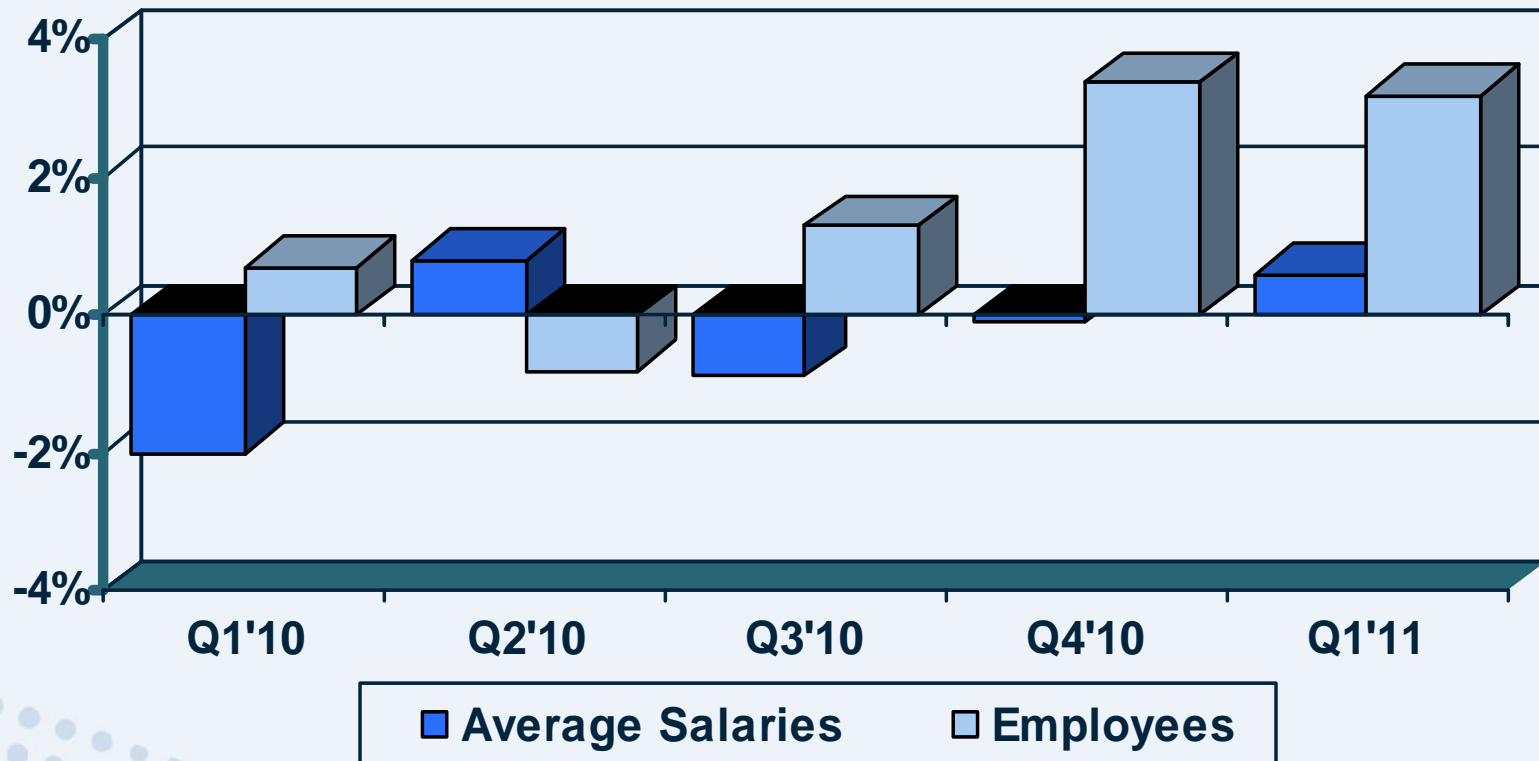
P-RASM



WS&B Expenses Up 7.0% Mainly Due to Higher Pension and Post-Employment Benefits Expense – Employee Productivity Up 4.4% YOY

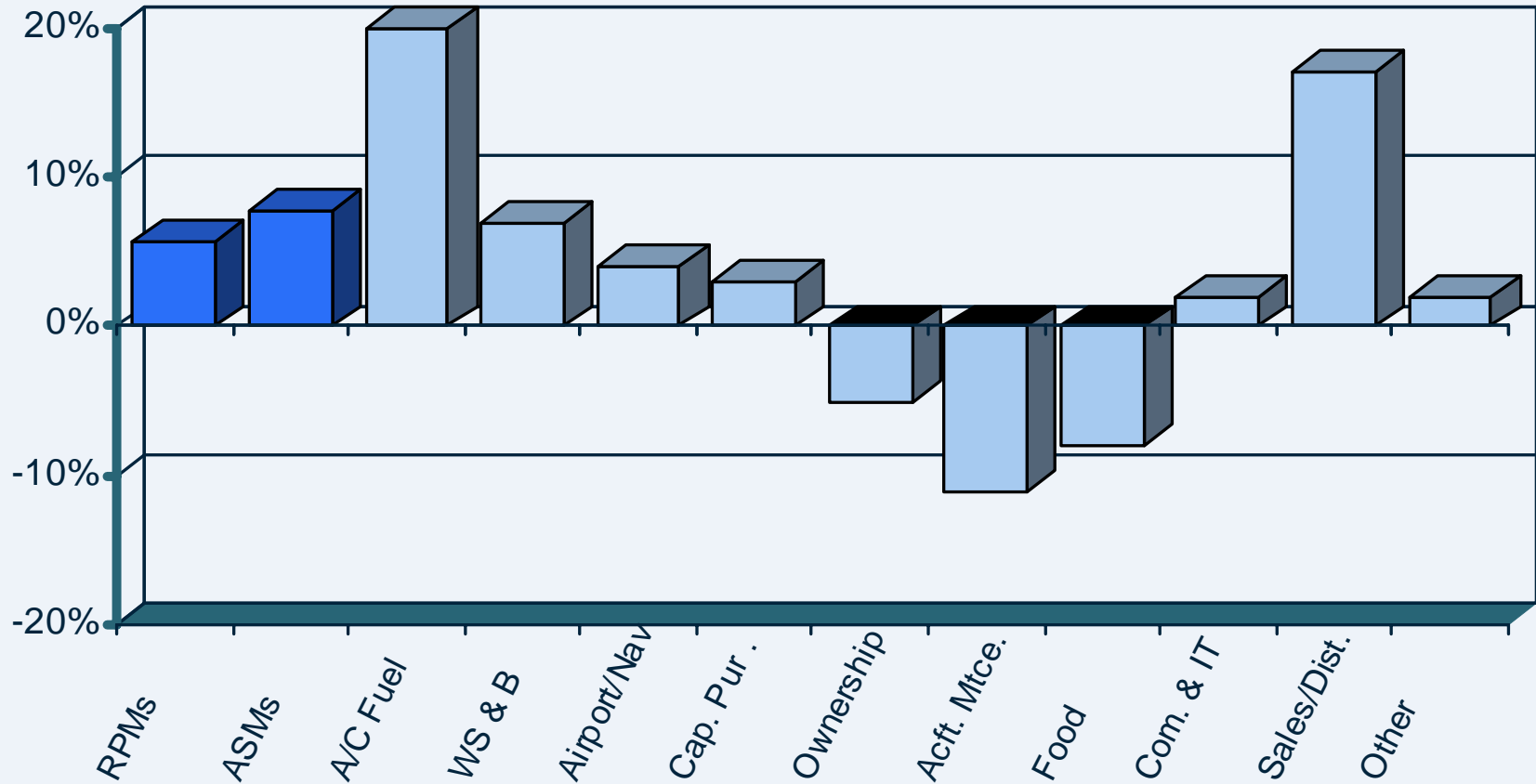
(Y-O-Y Change – Average Salaries & Employees)

% Change Y-O-Y



Oper. Exp. Up \$164M Largely on 7.7% ASM Growth, Higher Fuel Prices, Higher Emp. Ben. Exp. and Sales & Dist. Costs; Partly offset by Fav. FX & Lower Acft. Mtce. Exp. and Ownership Costs

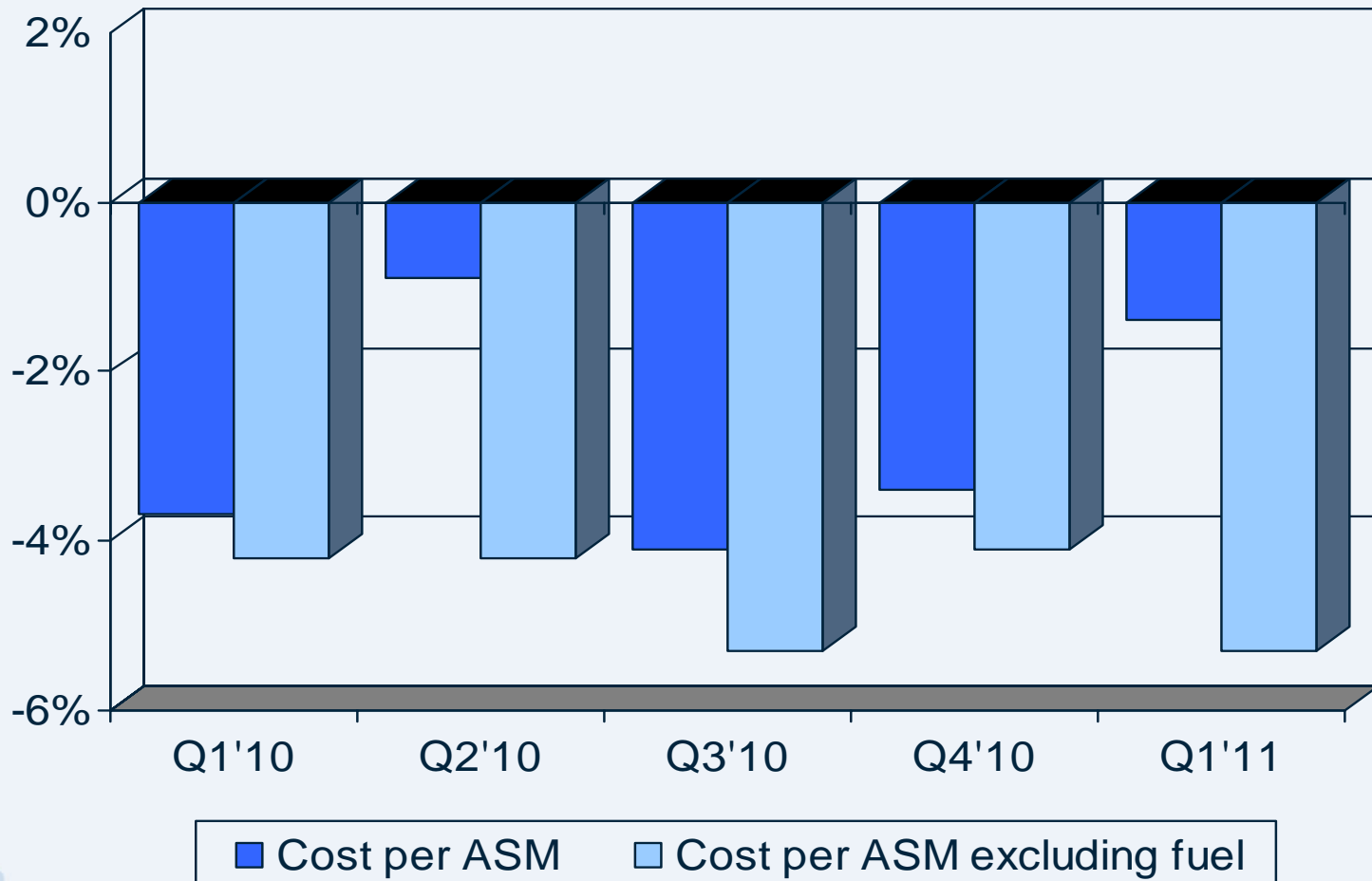
% Change Y-O-Y



Q1 2011/2010

Unit Cost Down 1.4%; Down 5.3% Excl. Fuel – Capacity Growth, Fav FX, Reduction in Aircraft Maintenance and Ownership Costs

% Change Y-O-Y



Further Information

For further information on Air Canada's public disclosure file, including *Air Canada's First Quarter 2011 MD&A* dated May 5, 2011 and *Air Canada's Annual Information Form*, dated March 30, 2011 consult Air Canada's website at **aircanada.com** or SEDAR at **www.sedar.com**



