

2010

First Quarter Financial Results

May 6, 2010



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Financial Highlights – Results of Operations

Q1 10 / Q1 09

<i>(millions)</i>	Q1 2010	Q1 2009	Change
Operating Revenue	\$ 2,519	\$ 2,391	\$ 128
Operating Loss	\$ (126)	\$ (188)	\$ 62
EBITDAR	\$ 138	\$ 57	\$ 81
Net Loss	\$ (85)	\$ (400)	\$ 315
Operating Margin	(5.0)%	(7.9)%	2.9 PP
EBITDAR Margin	5.5%	2.4%	3.1 PP
RASM (cents)	14.2	14.5	(2.3)%
CASM (cents)	18.0	18.7	(3.7)%
CASM excl. Fuel (cents)	13.8	14.4	(4.2)%

Financial Highlights – Financial Position and Cash Flow

Q1 10 / Q1 09

<i>(millions)</i>	Q1 2010	Q1 2009	Change
Cash Flow from Operations ⁽¹⁾	\$ 259	\$ 168	\$ 91
Additions to Capital Assets	\$ (44)	\$ (107)	\$ 63
Free Cash Flow	\$ 215	\$ 61	\$ 154
Cash, Cash Equivalents & Short-term Investments at March 31	\$ 1,621	\$1,087	\$ 534
Adjusted debt/equity ratio % at March 31	79.3%	93.3%	(14.0) 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

Q1 10 / Q1 09

<i>(millions)</i>	Q1 2010	Q1 2009	Change
Net Interest Expense ⁽¹⁾	\$ (76)	\$ (98)	\$ 22
Loss on Assets	\$ (1)	\$ -	\$ (1)
Gain (Loss) on Financial Instruments	\$ 2	\$ (10)	\$ 12
Other	\$ -	\$ (1)	\$ 1
Total Non-Operating Expense	\$ (75)	\$(109)	\$ 34

(1) Q1 09 includes a charge of \$17 mln related to the sale and leaseback of one Boeing 777 aircraft

Q1 2010 Versus Q1 2009

	Revenue (%)	ASMs (%)	RPMs (%)	PLF (PP)	Yield (%)	RASM (%)
Canada	↑ 1.5	↑ 2.6	↑ 0.8	↓ 1.4	↑ 0.6	↓ 1.1
US Transborder	↑ 6.0	↑ 2.8	↑ 3.4	↑ 0.5	↑ 2.5	↑ 3.1
Atlantic	↑ 6.5	↑ 6.2	↑ 5.8	↓ 0.3	↑ 0.5	↑ 0.1
Pacific	↑ 14.5	↑ 25.6	↑ 23.6	↓ 1.4	↓ 7.4	↓ 8.8
Other	↓ 0.5	↑ 4.3	↑ 6.6	↑ 1.7	↓ 6.6	↓ 4.6
Total	↑ 4.2	↑ 6.6	↑ 6.4	↓ 0.1	↓ 2.2	↓ 2.3

Total Operating Expense ↑ 3.0%

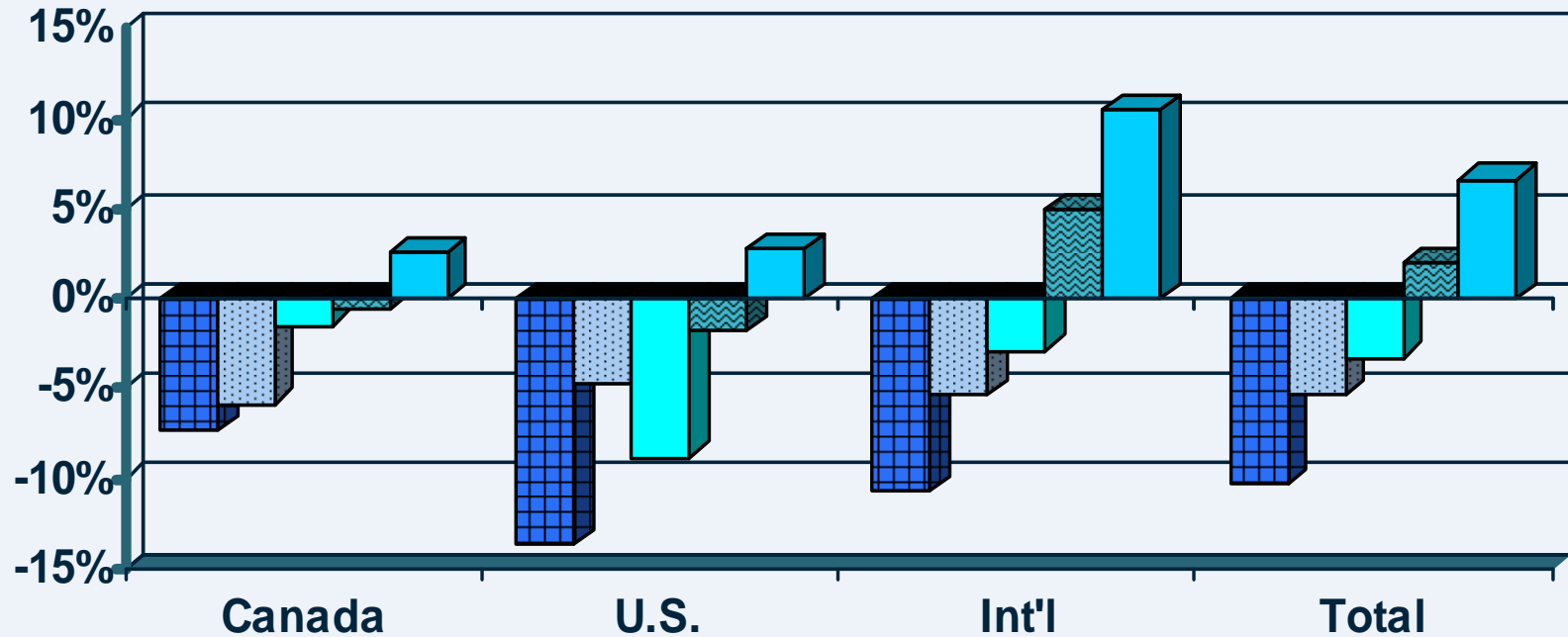
Total CASM ↓ 3.7%

Total CASM - excluding fuel ↓ 4.2%

System Capacity Increased 6.6%

(Y-O-Y Changes in Capacity)

% Change in ASMs

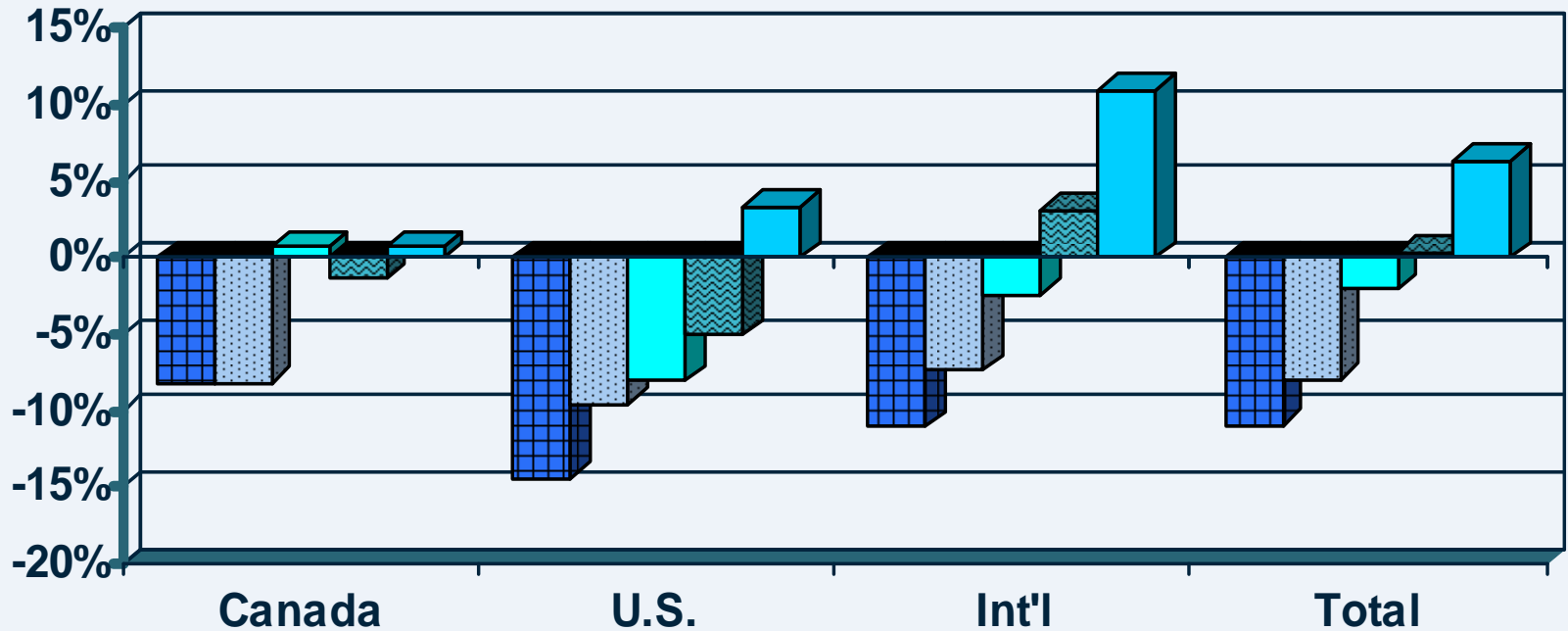


■ Q1 2009/2008 ■ Q2 2009/2008 ■ Q3 2009/2008 ■ Q4 2009/2008 ■ Q1 2010/2009

System Traffic Increased 6.4%

(Y-O-Y Changes in Traffic)

% Change in RPMs

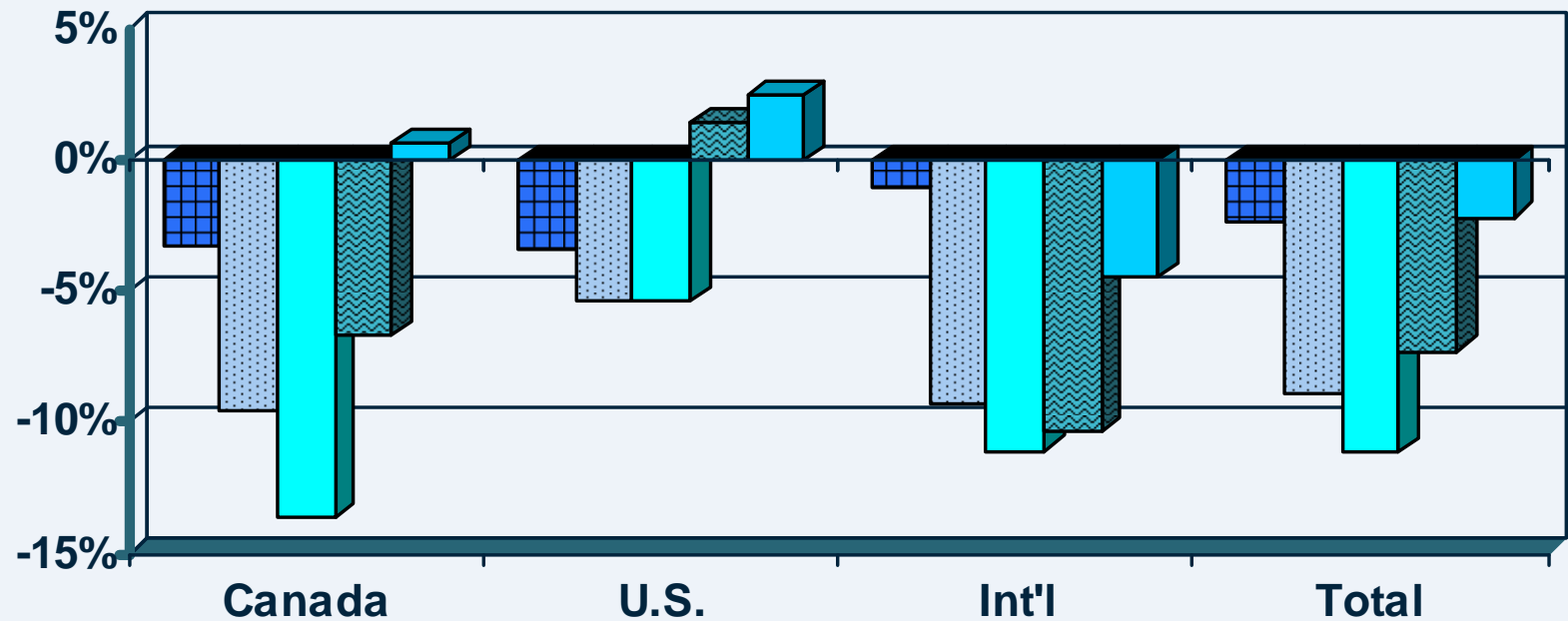


■ Q1 2009/2008 ■ Q2 2009/2008 ■ Q3 2009/2008 ■ Q4 2009/2008 ■ Q1 2010/2009

Yield Down 2.2% Due to Unfavourable FX, Reduced Fuel Surcharges & Greater Fare Discounting to Stimulate Traffic

(Y-O-Y Changes in Passenger Yield)

% Change in Yield

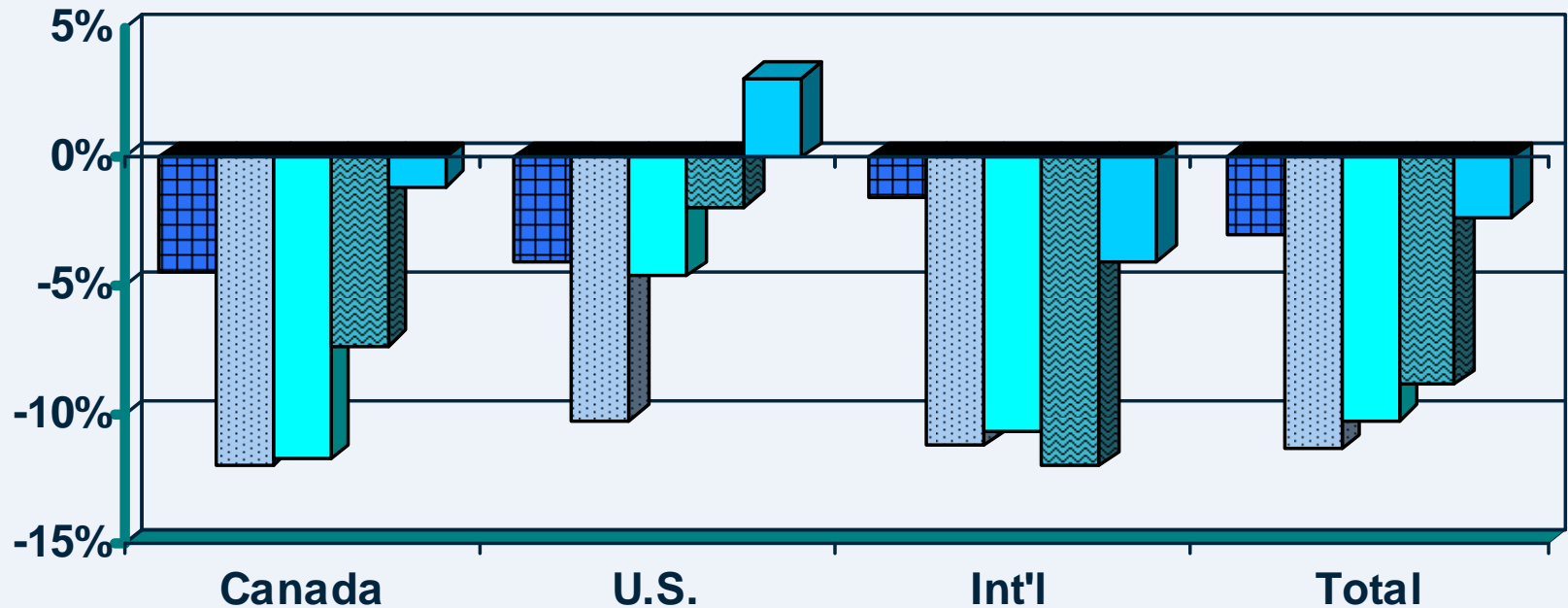


■ Q1 2009/2008 ■ Q2 2009/2008 ■ Q3 2009/2008 ■ Q4 2009/2008 ■ Q1 2010/2009

System RASM Declined 2.3% Primarily Due to a 2.2% Yield Decrease

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

% Change in RASM

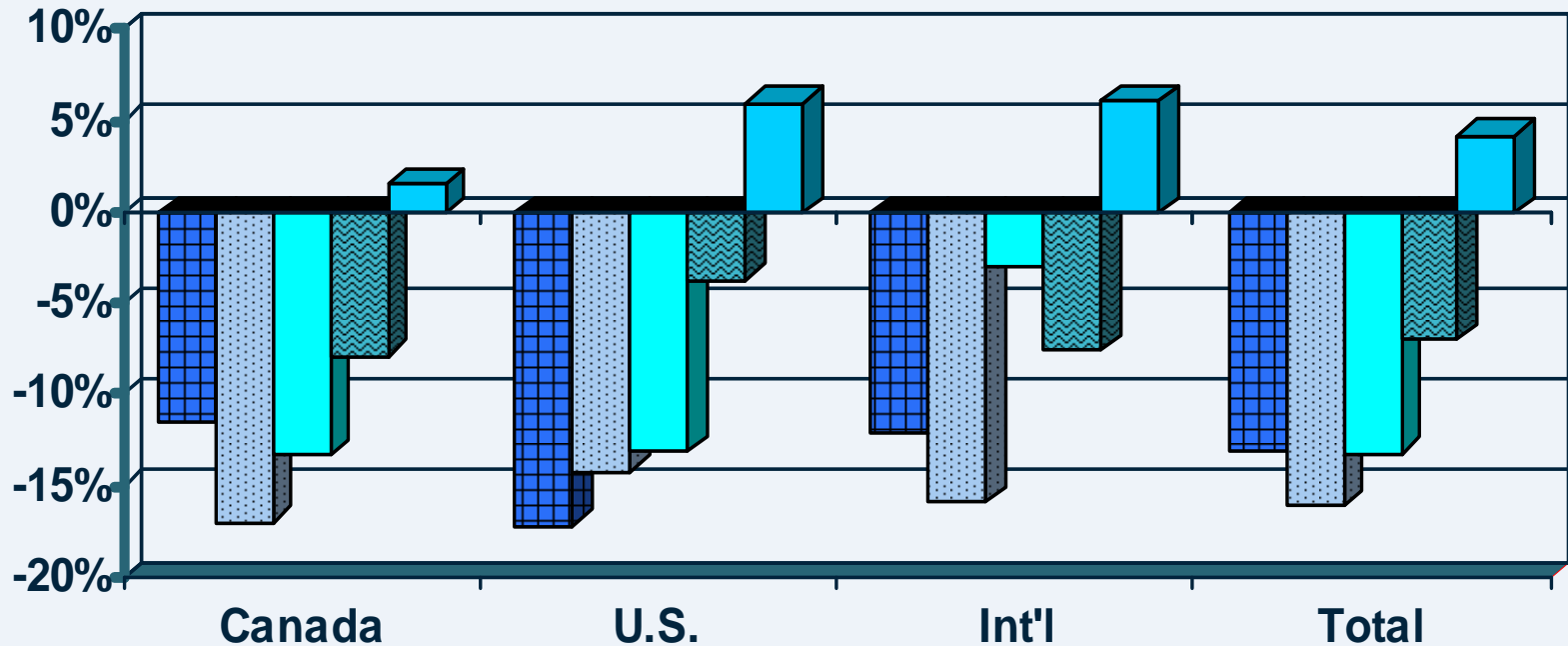


■ Q1 2009/2008 ■ Q2 2009/2008 ■ Q3 2009/2008 ■ Q4 2009/2008 ■ Q1 2010/2009

Revenues Increased 4.2% Due to Traffic Growth – Partly Offset By Reduced Yield

(Y-O-Y Changes in Passenger Revenue)

% Change in Revenue



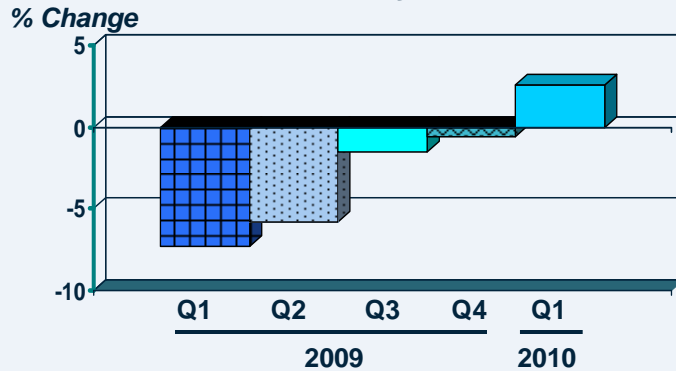
■ Q1 2009/2008 ■ Q2 2009/2008 ■ Q3 2009/2008 ■ Q4 2009/2008 ■ Q1 2010/2009

Canada –

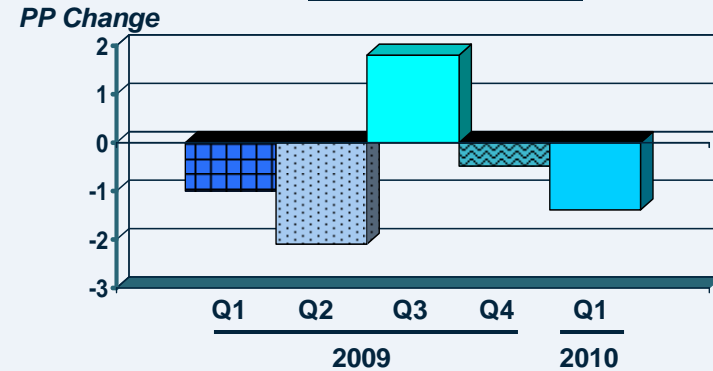
RASM Decreased 1.1% Due to Lower LF as Yield Increased 0.6%

Y-O-Y Change

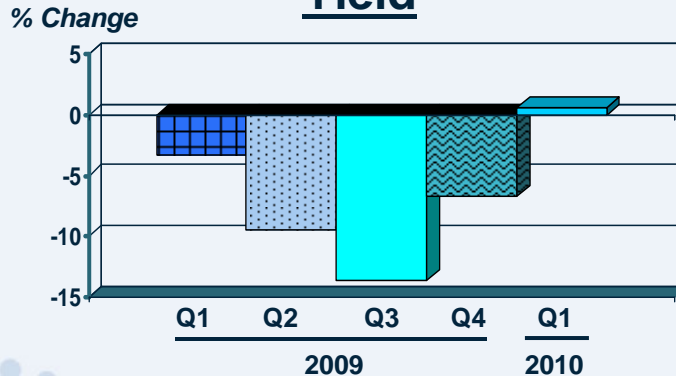
Capacity (ASM)



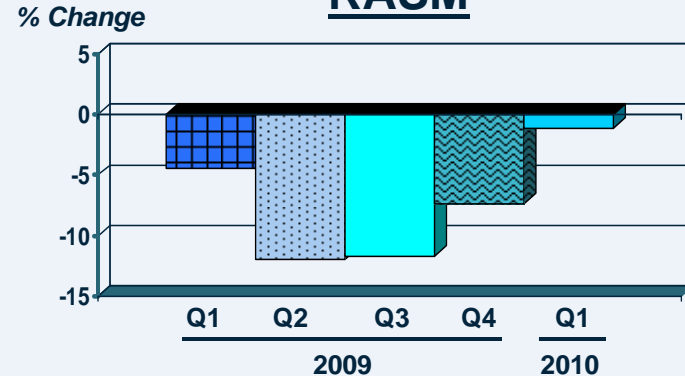
Load Factor



Yield



RASM

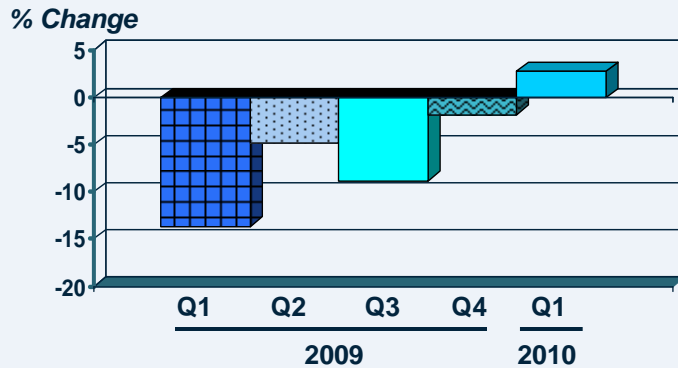


US Transborder –

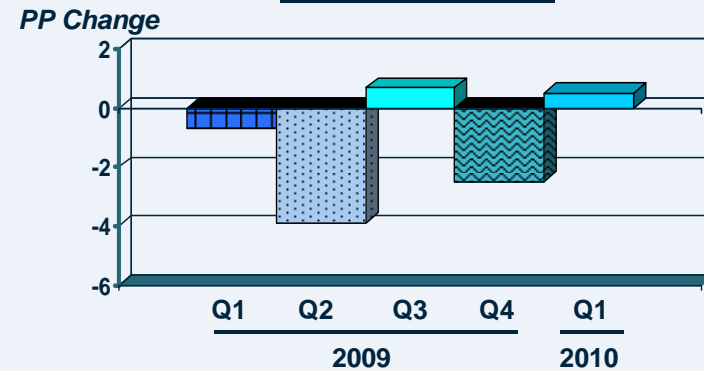
RASM Increased 3.1% Due Mostly to Higher Yield But Also Improved LF

Y-O-Y Change

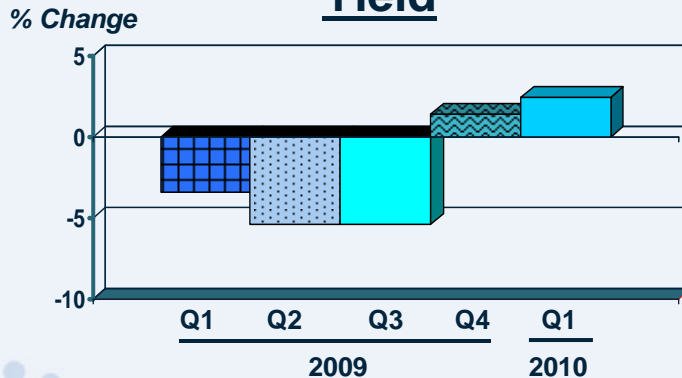
Capacity (ASM)



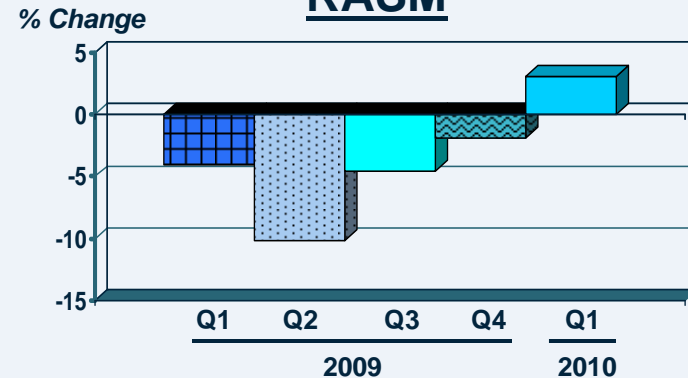
Load Factor



Yield



RASM

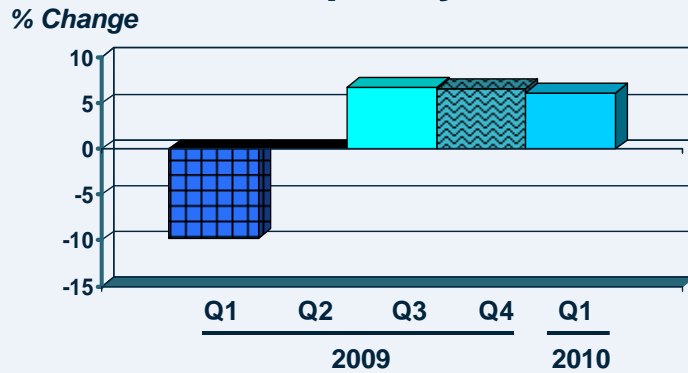


Atlantic –

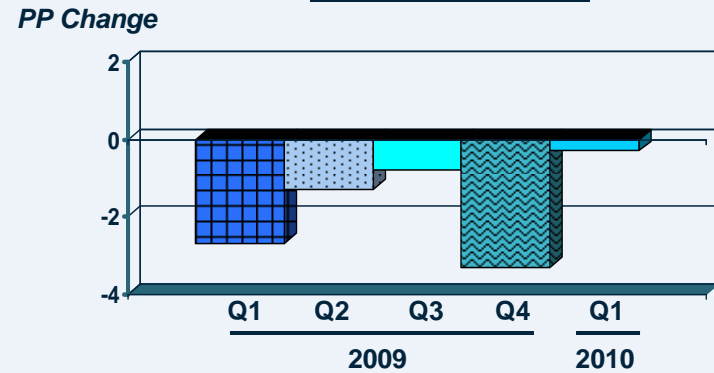
RASM Increased 0.1%

Y-O-Y Change

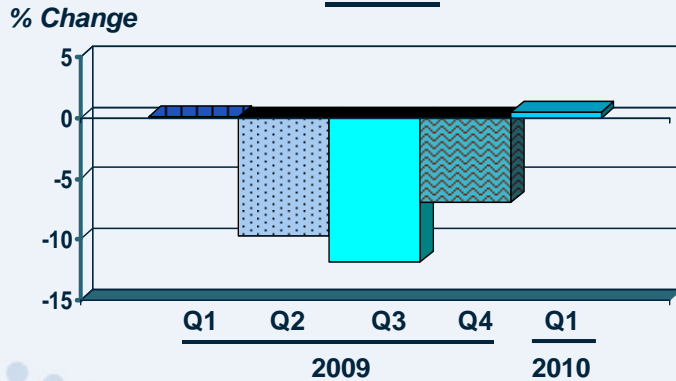
Capacity (ASM)



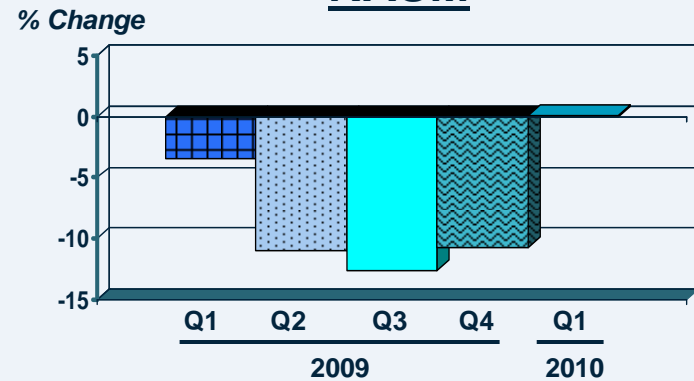
Load Factor



Yield



RASM

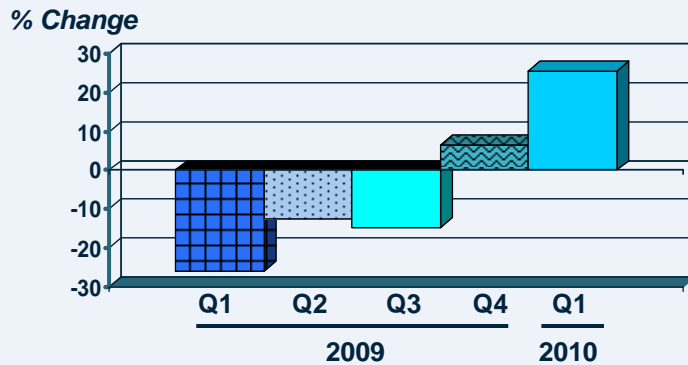


Pacific –

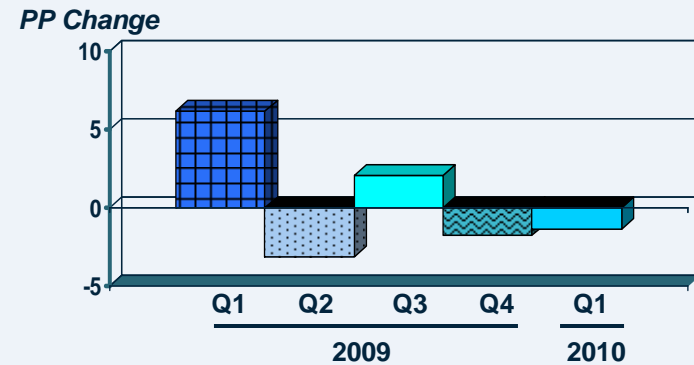
RASM Down 8.8% Mostly Due to Lower Yield of 7.4% But Also LF Decline

Y-O-Y Change

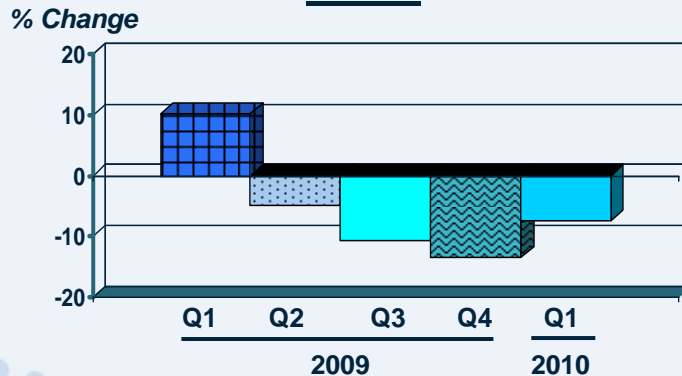
Capacity (ASM)



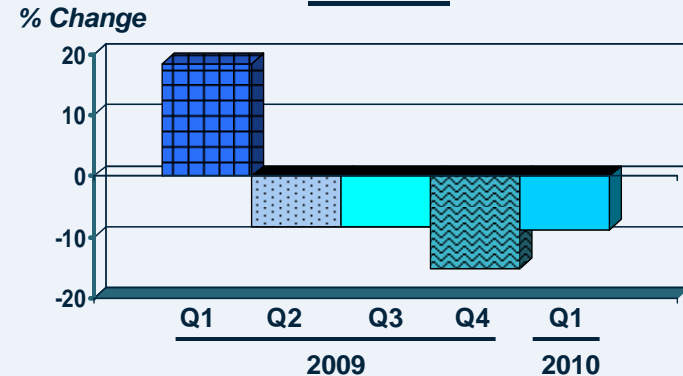
Load Factor



Yield



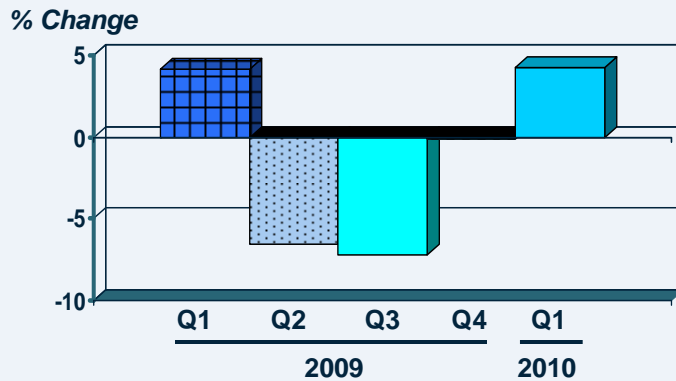
RASM



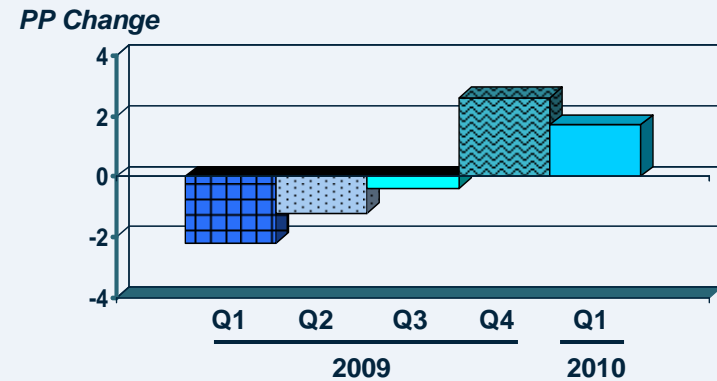
South Pacific, Caribbean, Mexico & S. A. ("Other") – RASM Down 4.6% Due to Lower Yield as LF Up 1.7 PP

Y-O-Y Change

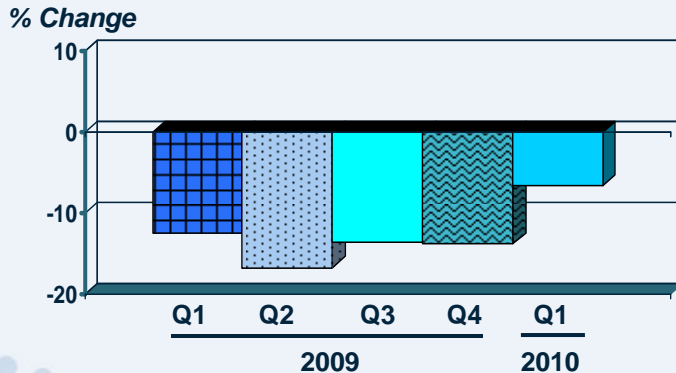
Capacity (ASM)



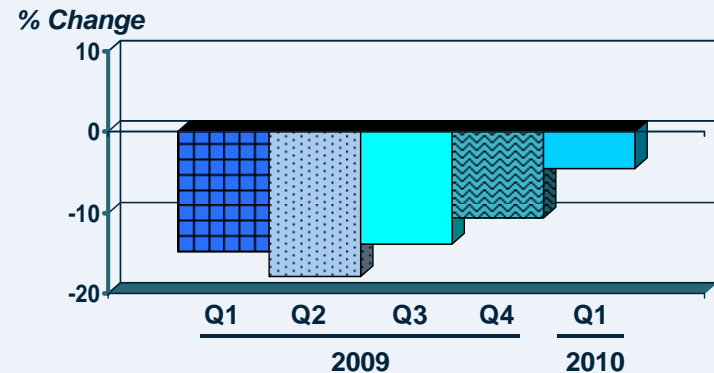
Load Factor



Yield



RASM

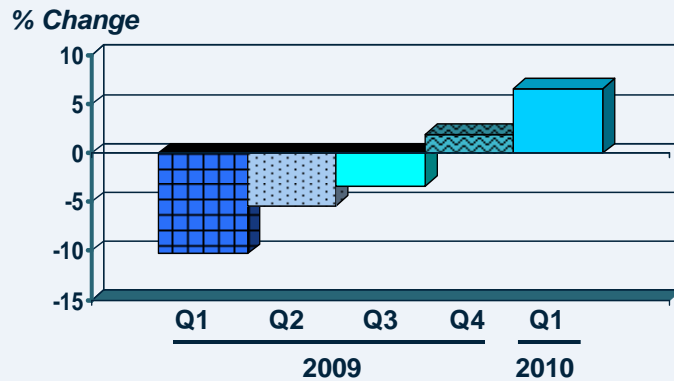


Total –

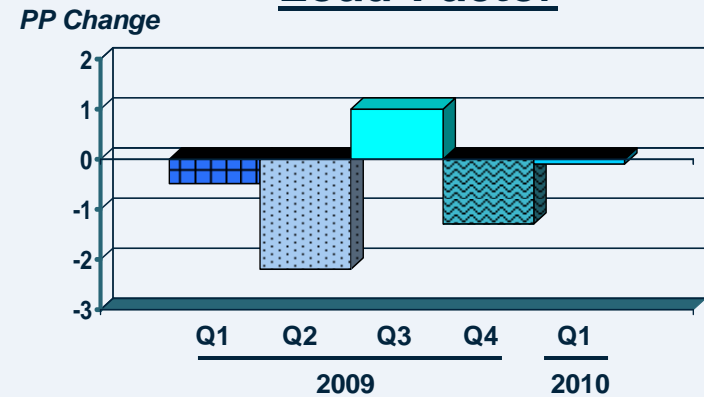
RASM Down 2.3% Mainly Due to Yield Decline

Y-O-Y Change

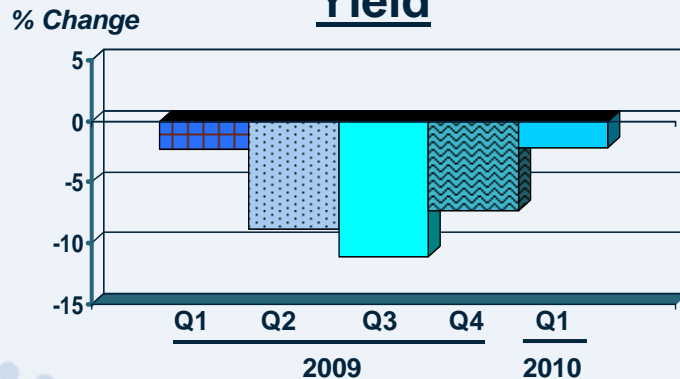
Capacity (ASM)



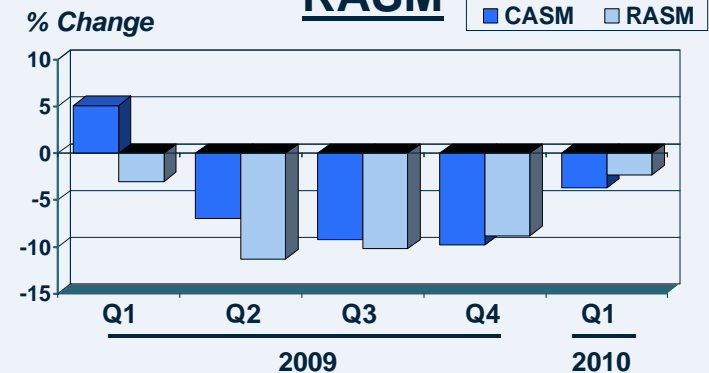
Load Factor



Yield



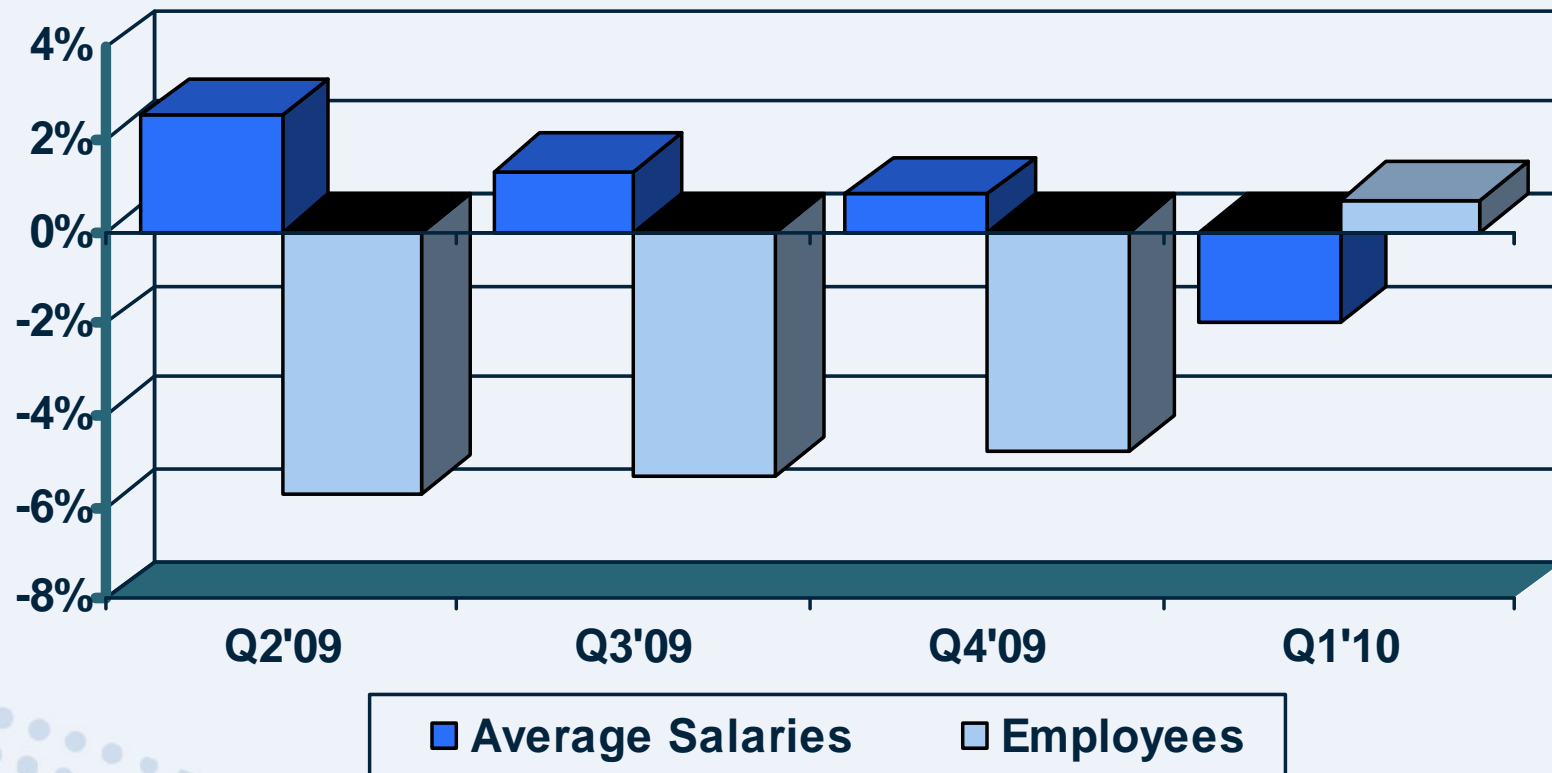
RASM



S&W Exp. Down Due to Decrease in Expenses Related to Emp. Reduction Programs – Emp. Levels Incr. by 0.7%

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

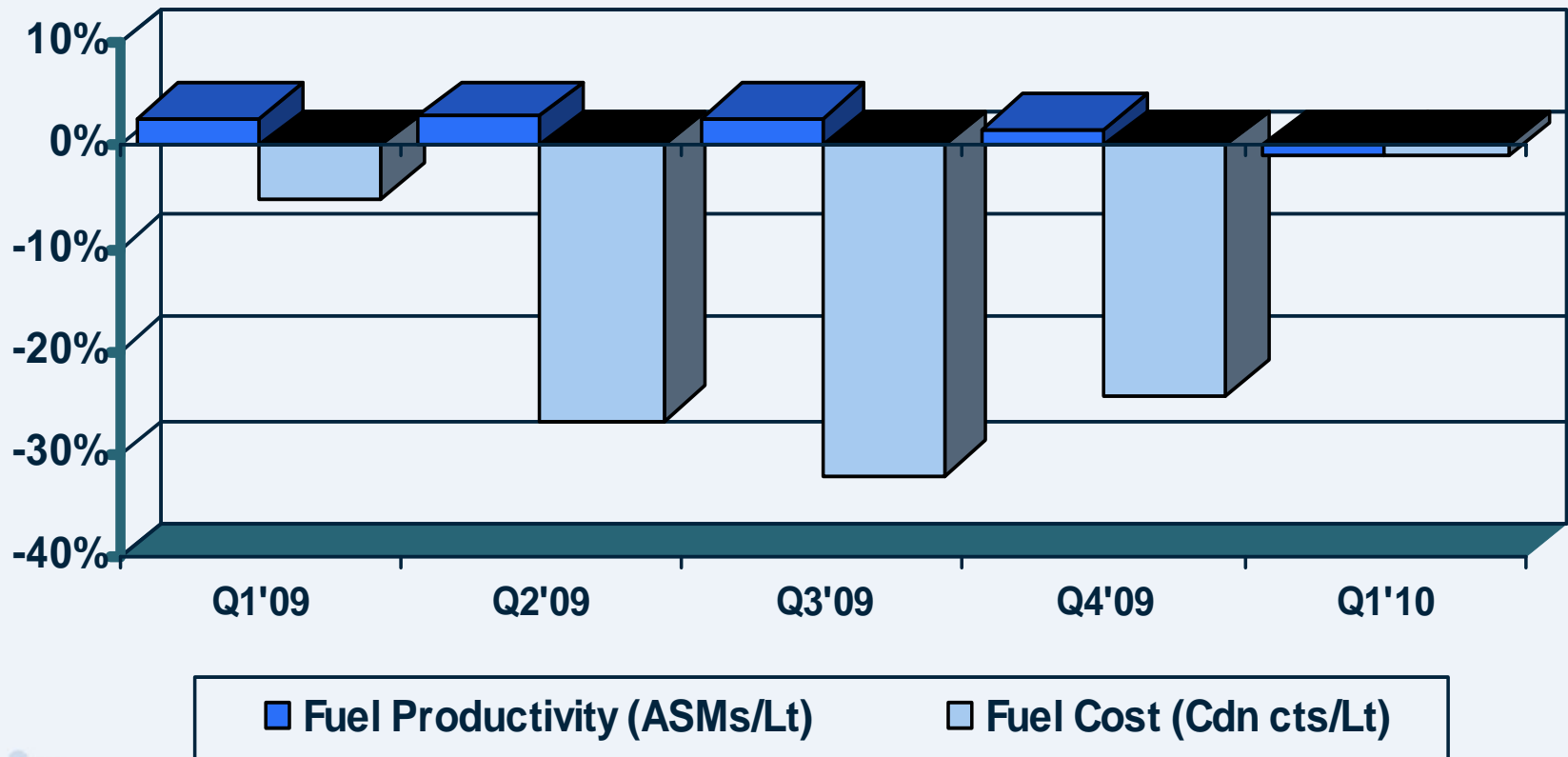
% Change Y-O-Y



Fuel Cost Per Litre Down 1.0% and Fuel Productivity Declines 1.1% – Economic Cost of Fuel Up 6.8%

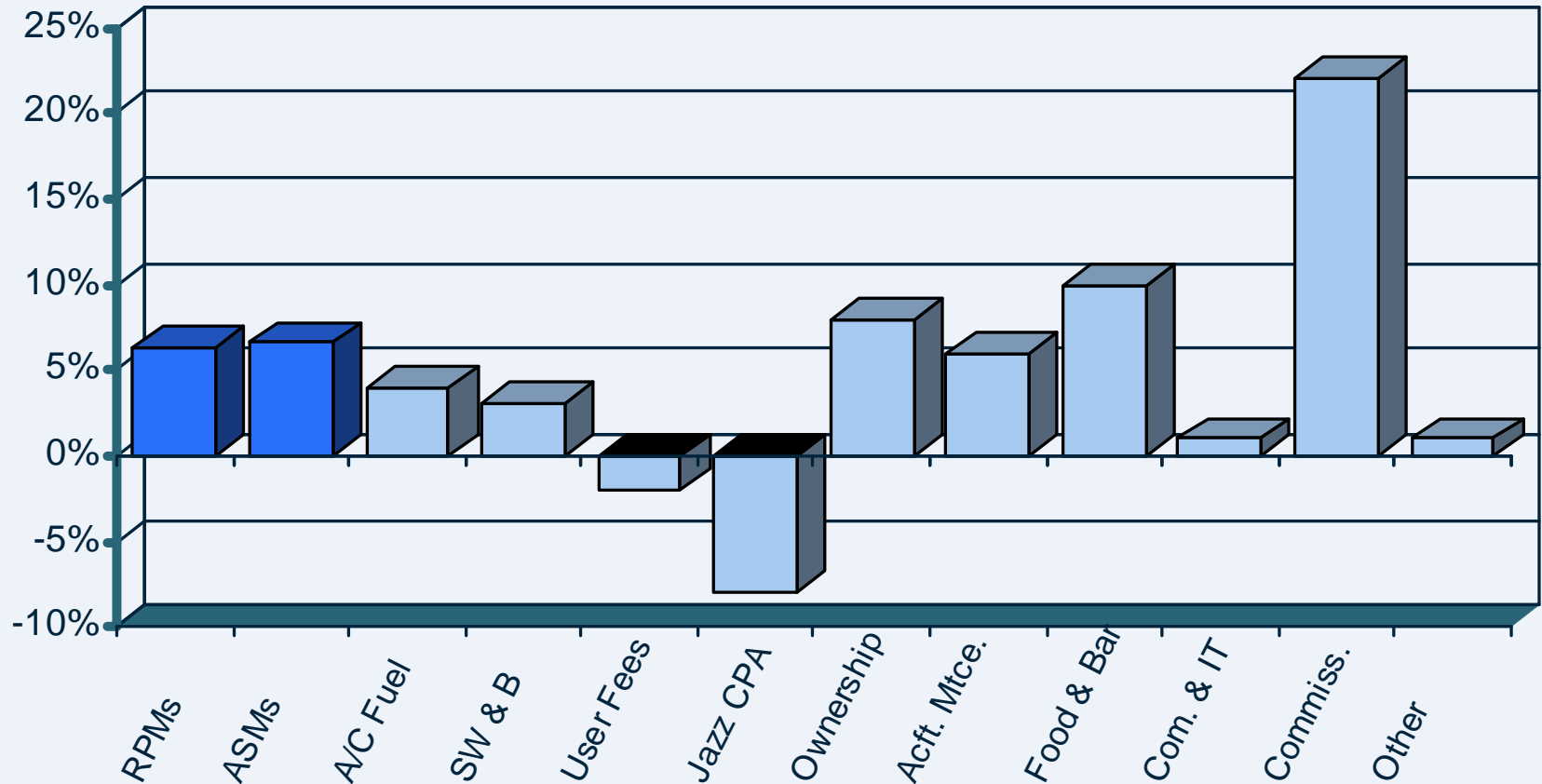
(Fuel Productivity & Cost per Litre)

% Change Y-O-Y



Oper. Exp. Up \$66M on 6.6% Capacity Growth & Higher Fuel Prices – Partly Offset By Fav FX & Impact of CTP Initiatives

% Change Y-O-Y

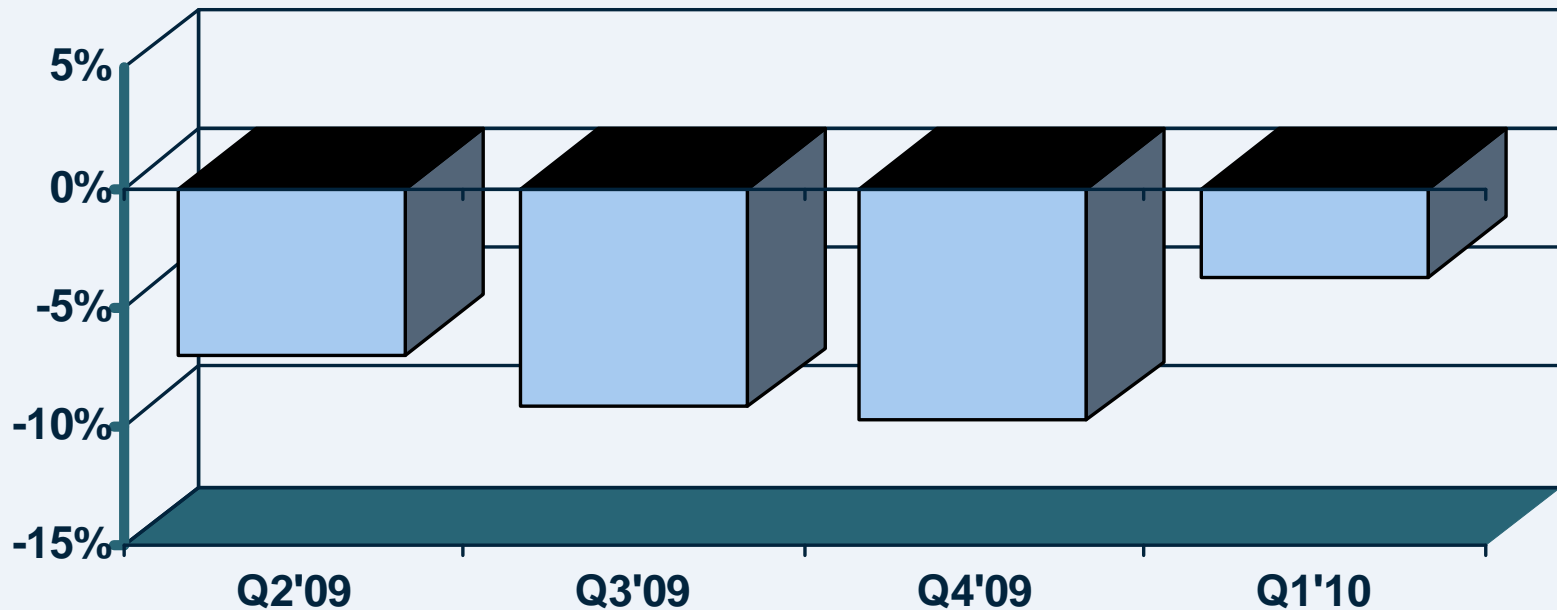


Q1 2010/2009

Unit Cost Down 3.7% – Favourable FX Largest Contributing Factor

(Cost Per ASM)

% Change Y-O-Y



Further Information

For further information on Air Canada's public disclosure file, including *Air Canada's First Quarter 2010 MD&A* dated May 6, 2010 and *Air Canada's Annual Information Form*, consult Air Canada's website at **aircanada.com** or SEDAR at **sedar.com**



