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• Financial Highlights
• Passenger Revenue
• Operating Expense
## Financial Highlights – Results of Operations
### Q2 10 / Q2 09

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

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

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

(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.

AIR CANADA
<table>
<thead>
<tr>
<th>(millions)</th>
<th>Q2 2010</th>
<th>Q2 2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Interest Expense (^{(1)})</td>
<td>$(129)</td>
<td>$(88)</td>
<td>$(41)</td>
</tr>
<tr>
<td>Loss on Assets</td>
<td>$(0)</td>
<td>$(71)</td>
<td>$ 71</td>
</tr>
<tr>
<td>Gain (Loss) on Financial Instruments</td>
<td>$(18)</td>
<td>$(79)</td>
<td>$(97)</td>
</tr>
<tr>
<td>Total Non-Operating Expense</td>
<td>$(147)</td>
<td>$(80)</td>
<td>$(67)</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Q2 10 includes a charge of $54M in interest expense related to Air Canada’s secured term credit facility.
## Q2 2010 Versus Q2 2009

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

- **Total Operating Expense**  \(\uparrow 4.4\%\)
- **Total CASM**  \(\downarrow 0.9\%\)
- **Total CASM - excluding fuel**  \(\downarrow 4.2\%\)
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

System Traffic Increased 8.7% on Capacity Growth of 5.3%

(Y-O-Y Changes in Traffic)

% Change in RPMs
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

Canada | U.S. | Int'l | Total

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

Canada | U.S. | Int'l | Total
---|---|---|---
-15% | -10% | -5% | 0%
-10% | -5% | 0% | 5%
-5% | 0% | 5% | 10%
0% | 5% | 10% | 15%
5% | 10% | 15% | 20%
10% | 15% | 20% | 25%
15% | 20% | 25% | 30%


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

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

<table>
<thead>
<tr>
<th></th>
<th>Canada</th>
<th>U.S.</th>
<th>Int'l</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2009/2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3 2009/2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4 2009/2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1 2010/2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2 2010/2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Canada –
RASM Incr. 7.0% due to 3.7% Yield growth and 2.5 PP LF Improvement

Y-O-Y Change

**Capacity (ASM)**

<table>
<thead>
<tr>
<th></th>
<th>Q2 2009</th>
<th>Q3 2009</th>
<th>Q4 2009</th>
<th>Q1 2010</th>
<th>Q2 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Change</td>
<td>-5</td>
<td>-10</td>
<td>0</td>
<td>5</td>
<td>-5</td>
</tr>
</tbody>
</table>

**Load Factor**

<table>
<thead>
<tr>
<th></th>
<th>Q2 2009</th>
<th>Q3 2009</th>
<th>Q4 2009</th>
<th>Q1 2010</th>
<th>Q2 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>PP Change</td>
<td>-3</td>
<td>-10</td>
<td>-5</td>
<td>0</td>
<td>5</td>
</tr>
</tbody>
</table>

**Yield**

<table>
<thead>
<tr>
<th></th>
<th>Q2 2009</th>
<th>Q3 2009</th>
<th>Q4 2009</th>
<th>Q1 2010</th>
<th>Q2 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Change</td>
<td>-15</td>
<td>-10</td>
<td>0</td>
<td>5</td>
<td>-5</td>
</tr>
</tbody>
</table>

**RASM**

<table>
<thead>
<tr>
<th></th>
<th>Q2 2009</th>
<th>Q3 2009</th>
<th>Q4 2009</th>
<th>Q1 2010</th>
<th>Q2 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Change</td>
<td>-15</td>
<td>-10</td>
<td>0</td>
<td>5</td>
<td>-5</td>
</tr>
</tbody>
</table>
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

Q2 Q3 Q4 Q1 Q2
2009 2010

Q2 Q3 Q4 Q1 Q2
2009 2010

Q2 Q3 Q4 Q1 Q2
2009 2010

Q2 Q3 Q4 Q1 Q2
2009 2010
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)**

- **% Change**
  - Q2 2009
  - Q3 2009
  - Q4 2009
  - Q1 2010
  - Q2 2010

**Load Factor**

- **PP Change**
  - Q2 2009
  - Q3 2009
  - Q4 2009
  - Q1 2010
  - Q2 2010

**Yield**

- **% Change**
  - Q2 2009
  - Q3 2009
  - Q4 2009
  - Q1 2010
  - Q2 2010

**RASM**

- **% Change**
  - Q2 2009
  - Q3 2009
  - Q4 2009
  - Q1 2010
  - Q2 2010

AIR CANADA
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)**

- % Change
- Q2 2009, Q3 2009, Q4 2009, Q1 2010, Q2 2010

**Load Factor**

- PP Change
- Q2 2009, Q3 2009, Q4 2009, Q1 2010, Q2 2010

**Yield**

- % Change
- Q2 2009, Q3 2009, Q4 2009, Q1 2010, Q2 2010

**RASM**

- % Change
- Q2 2009, Q3 2009, Q4 2009, Q1 2010, Q2 2010
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

Q2'09  Q3'09  Q4'09  Q1'10  Q2'10

Fuel Productivity (# of litres/100 ASMs)  Fuel Cost (Cdn cents/litre)
Unit Cost Down 0.9% – Down 4.2% Excluding Fuel
Favourable FX Largest Contributing Factor

% Change Y-O-Y

Cost per ASM  |  Cost per ASM excluding fuel

Q3'09  |  Q4'09  |  Q1'10  |  Q2'10
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](http://aircanada.com) or SEDAR at [www.sedar.com](http://www.sedar.com)