

2010

**Fourth Quarter & Full Year
Financial Results**

February 10, 2011



Table of Contents

- Financial Highlights
- Passenger Revenue
- Operating Expense

Financial Highlights – Results of Operations

Q4 10 / Q4 09

<i>(millions)</i>	Q4 2010	Q4 2009	Change
Operating Revenue	\$ 2,616	\$ 2,348	\$ 268
Operating Income (loss)⁽¹⁾	\$ 85	\$ (83)	\$ 168
EBITDAR⁽¹⁾	\$ 334	\$ 167	\$ 167
Net Income (loss)	\$ 134	\$ (56)	\$ 190
Operating Margin⁽¹⁾	3.2%	(3.5)%	6.7 PP
EBITDAR Margin⁽¹⁾	12.8%	7.1%	5.7 PP
Oper. RASM (cents)⁽²⁾	17.3	17.0	1.8%
CASM (cents)	17.0	17.6	(3.4)%
CASM excl. Fuel (cents)	12.7	13.2	(4.1)%

(1) Before a net reduction of \$46M to a provision for cargo investigations in Q4 10

(2) Excludes impact of \$40M favourable adjustment recorded in Q4 10

Financial Highlights – Results of Operations

2010 / 2009

<i>(millions)</i>	2010	2009	Change
Operating Revenue	\$ 10,786	\$ 9,739	\$ 1,047
Operating Income (loss)⁽¹⁾	\$ 361	\$ (316)	\$ 677
EBITDAR⁽¹⁾	\$ 1,386	\$ 679	\$ 707
Net Income (loss)	\$ 107	\$ (24)	\$ 131
Operating Margin⁽¹⁾	3.3%	(3.2)%	6.5 PP
EBITDAR Margin⁽¹⁾	12.9%	7.0%	5.9 PP
Oper. RASM (cents)	17.0	16.4	3.5%
CASM (cents)	16.4	16.9	(3.1)%
CASM excl. Fuel (cents)	12.2	12.8	(4.5)%

(1) Before a net reduction of \$46M to a provision for cargo investigations in Q4 10

Financial Highlights – Financial Position and Cash Flow

Q4 10 / Q4 09

<i>(millions)</i>	Q4 2010	Q4 2009	Change
Cash Flow from (used for) Operations	\$ 148	\$ (10)	\$ 158
Additions to Capital Assets	\$ (26)	\$ (42)	\$ 16
Free Cash Flow	\$ 122	\$ (52)	\$ 174
Cash, Cash Equivalents & Short-term Investments at December 31	\$ 2,192	\$1,407	\$ 785
Adjusted net debt to adjusted net debt plus equity ratio % at December 31	74.3%	80.1%	(5.8) pp

Financial Highlights – Financial Position and Cash Flow 2010 / 2009

<i>(millions)</i>	2010	2009	Change
Cash Flow from (used for) Operations	\$ 864	\$ (167)	\$1,031
Additions to Capital Assets	\$ (118)	\$ (232)	\$ 114
Free Cash Flow	\$ 746	\$ (399)	\$1,145
Cash, Cash Equivalents & Short-term Investments at December 31	\$ 2,192	\$1,407	\$ 785
Adjusted net debt to adjusted net debt plus equity ratio % at December 31	74.3%	80.1%	(5.8) pp

Non-Operating Expense

Q4 10 / Q4 09

<i>(millions)</i>	Q4 2010	Q4 2009	Change
Net Interest Expense	\$ (71)	\$ (85)	\$ 14
Loss on Assets	\$ (8)	\$ (25)	\$ 17
Gain on Financial Instruments	\$ 8	\$ 22	\$ (14)
Other	\$ (20)	\$ 5	\$ (25)
Total Non-Operating Expense	\$ (91)	\$ (83)	\$ (8)

Non-Operating Expense 2010 / 2009

<i>(millions)</i>	2010	2009	Change
Net Interest Expense	\$ (358)	\$ (355)	\$ (3)
Loss on Assets	\$ (7)	\$ (95)	\$ 88
Gain (loss) on Financial Instruments	\$ (3)	\$ 95	\$ (98)
Other	\$ (20)	\$ -	\$ (20)
Total Non-Operating Expense	\$ (388)	\$ (355)	\$ (33)

Q4 2010 Versus Q4 2009

	Passenger Revenue (%)	Capacity (ASMs) (%)	Traffic (RPMs) (%)	Passenger LF (PP)	Yield (%)	Passenger RASM (%)
Canada	↑ 7.5	↑ 0.2	↑ 2.0	↑ 1.4	↑ 5.3	↑ 7.1
US Transborder	↑ 10.7	↑ 11.7	↑ 12.0	↑ 0.2	↓ 1.3	↓ 1.0
Atlantic	↑ 7.5	↑ 5.5	↑ 2.5	↓ 2.8	↑ 4.7	↑ 1.7
Pacific	↑ 31.7	↑ 23.0	↑ 22.9	↓ 0.1	↑ 7.2	↑ 7.0
Other	↑ 15.4	↑ 7.2	↑ 9.4	↑ 1.6	↑ 5.4	↑ 7.5
Total	↑ 11.2	↑ 7.8	↑ 8.0	↑ 0.2	↑ 2.8	↑ 3.0

Total Operating Expense ↑ 4.1%

Total CASM ↓ 3.4%

Total CASM - excluding fuel ↓ 4.1%

*Table above excludes impact of \$40M favourable adjustment recorded in Q4 10

2010 Versus 2009

	Passenger Revenue (%)	Capacity (ASMs) (%)	Traffic (RPMs) (%)	Passenger LF (PP)	Yield (%)	Passenger RASM (%)
Canada	↑ 5.5	↑ 0.8	↑ 1.9	↑ 0.8	↑ 3.5	↑ 4.6
US Transborder	↑ 9.5	↑ 8.5	↑ 9.3	↑ 0.6	-	↑ 0.8
Atlantic	↑ 14.0	↑ 7.1	↑ 6.7	↓ 0.3	↑ 6.7	↑ 6.3
Pacific	↑ 31.1	↑ 18.4	↑ 22.3	↑ 2.8	↑ 7.2	↑ 10.7
Other	↑ 10.4	↑ 7.6	↑ 10.1	↑ 1.8	↑ 0.2	↑ 2.5
Total	↑ 10.9	↑ 7.0	↑ 8.3	↑ 1.0	↑ 2.3	↑ 3.6

Total Operating Expense ↑ 3.7%

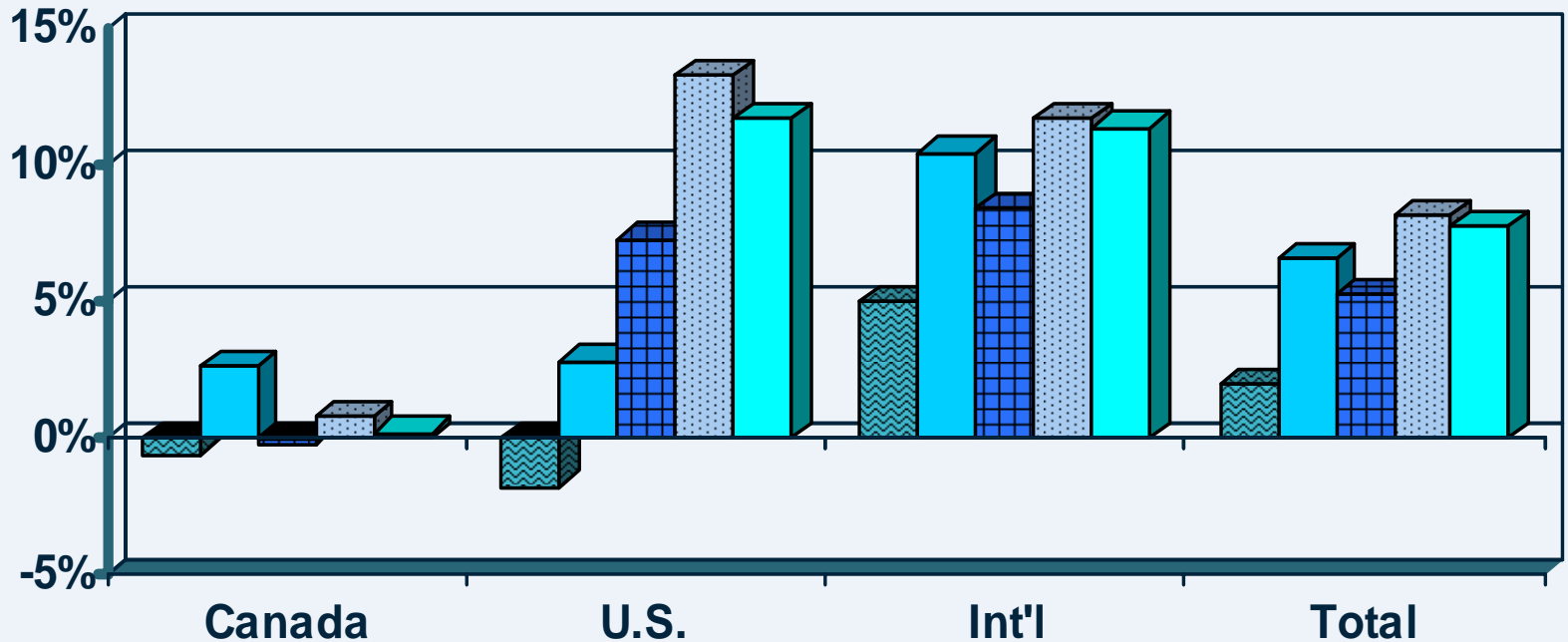
Total CASM ↓ 3.1%

Total CASM - excluding fuel ↓ 4.5%

System Capacity Increased 7.8% – Domestic Capacity Up 0.2% – US Transborder & Int'l Combined Capacity Up 11.2%

(Y-O-Y Changes in Capacity)

% Change in ASMs

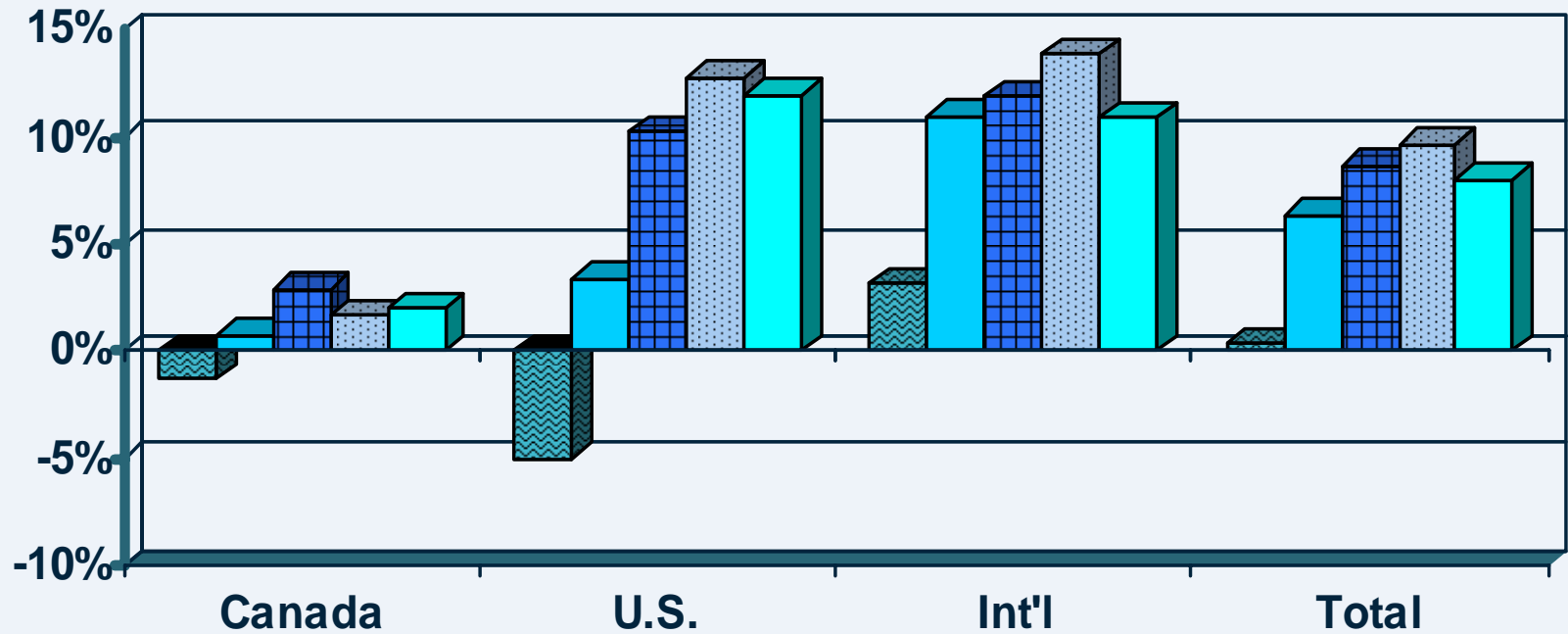


Q4 2009/2008
 Q1 2010/2009
 Q2 2010/2009
 Q3 2010/2009
 Q4 2010/2009

System Traffic Increased 8.0% on Capacity Growth of 7.8%

(Y-O-Y Changes in Traffic)

% Change in RPMs

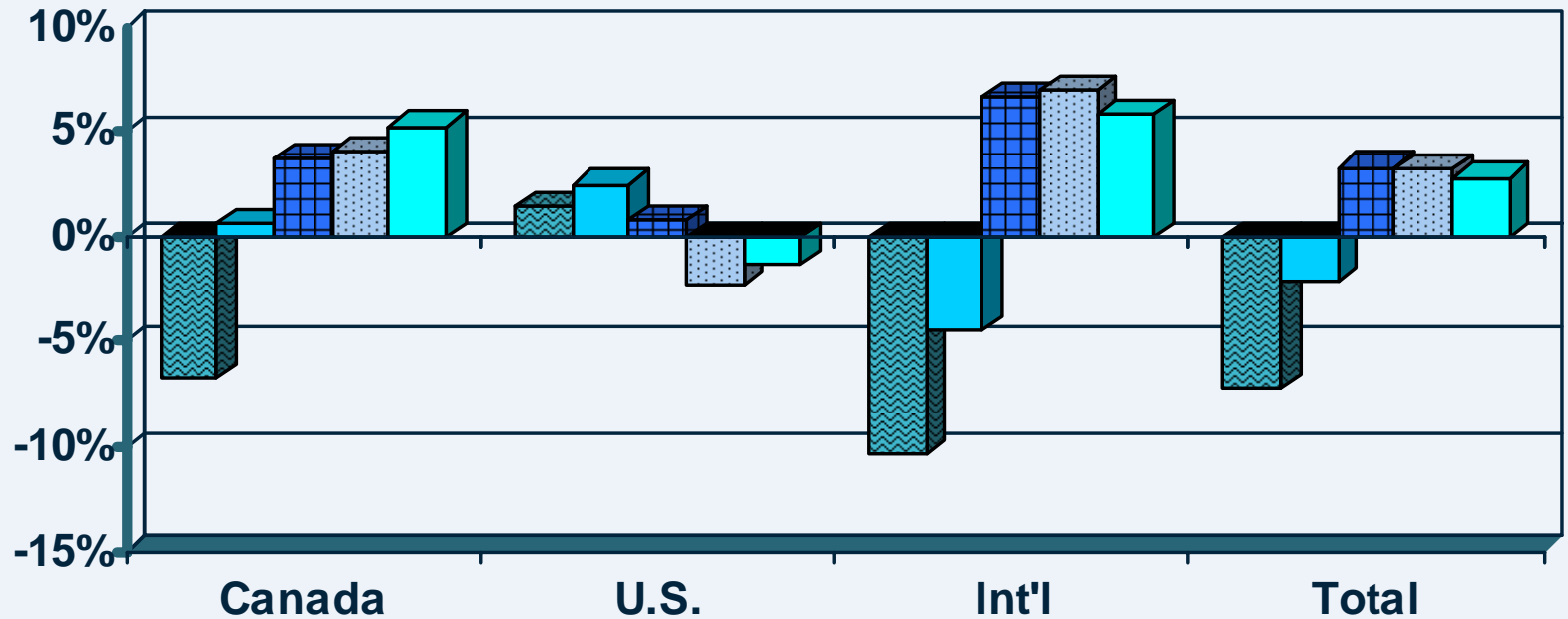


■ Q4 2009/2008 ■ Q1 2010/2009 ■ Q2 2010/2009 ■ Q3 2010/2009 ■ Q4 2010/2009

A Renewed focus on Quality of Revenue and Business Class Services Helped Drive a Yield Improvement of 2.8%

(Y-O-Y Changes in Passenger Yield)

% Change in Yield

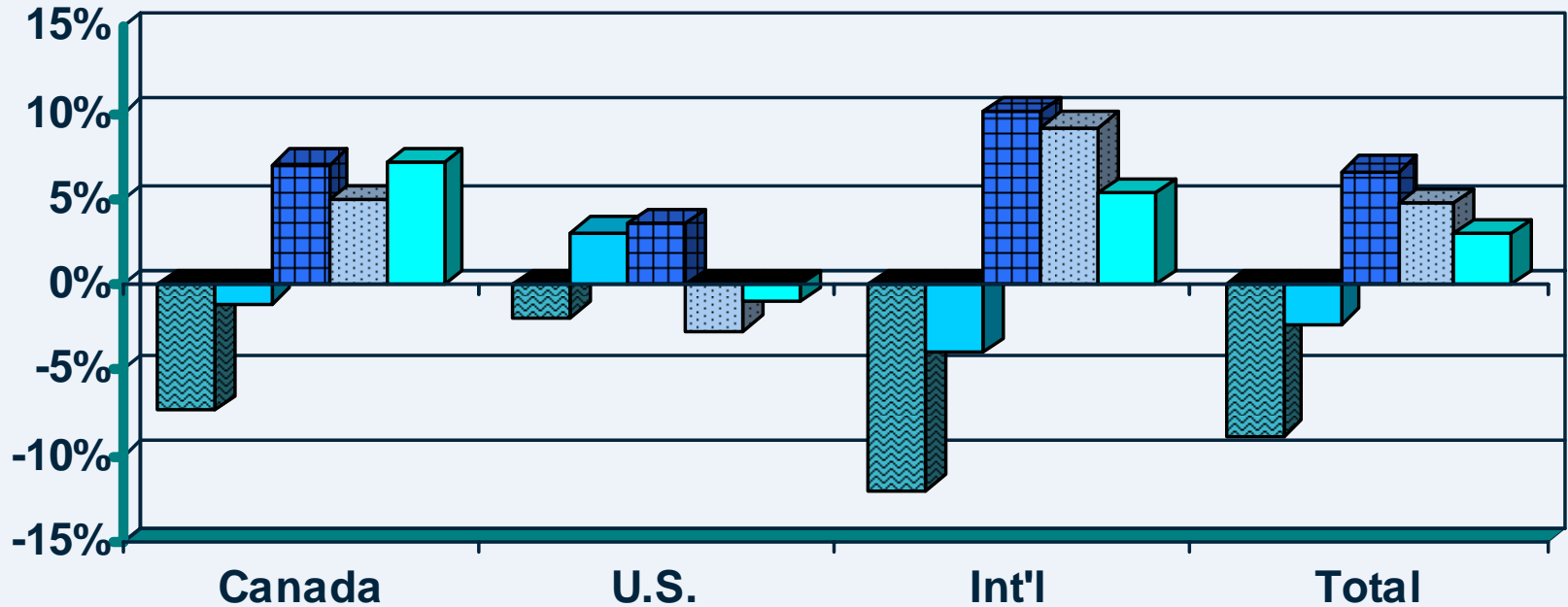


■ Q4 2009/2008 ■ Q1 2010/2009 ■ Q2 2010/2009 ■ Q3 2010/2009 ■ Q4 2010/2009

System Passenger RASM Incr. 3.0% mainly due to 2.8% Yield Growth

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

% Change in RASM

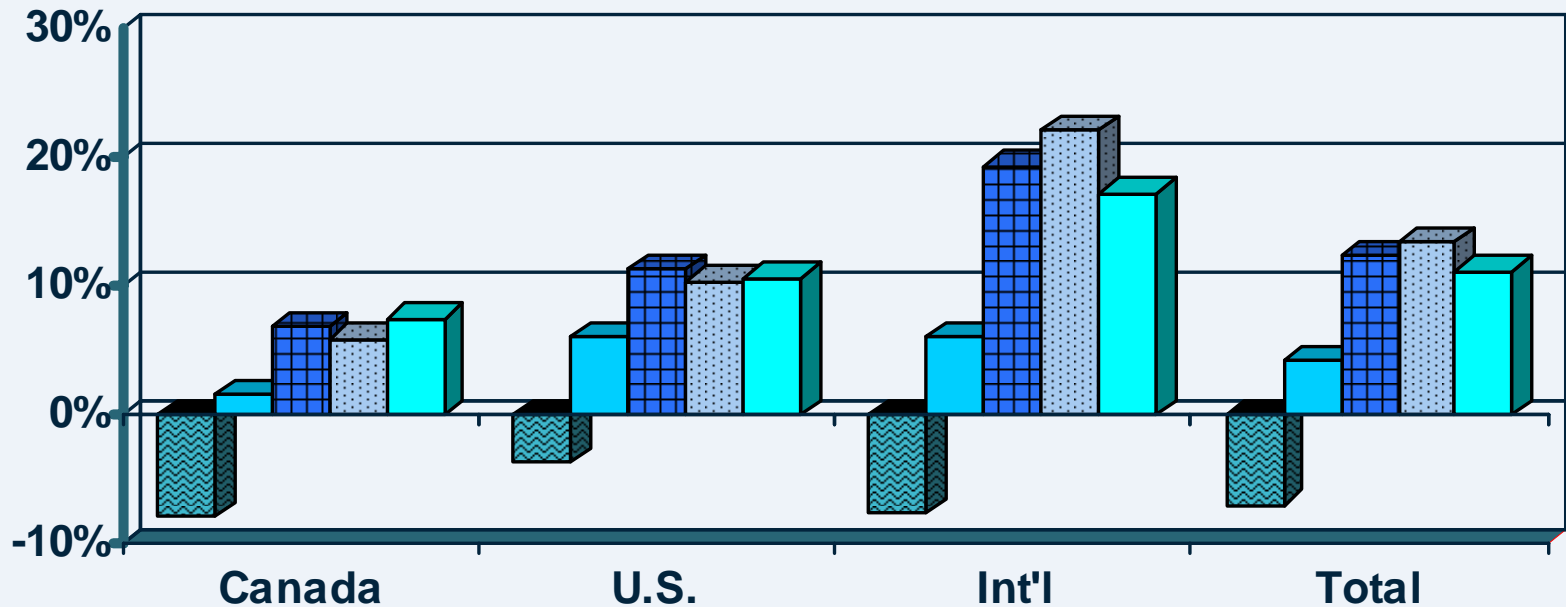


■ Q4 2009/2008 ■ Q1 2010/2009 ■ Q2 2010/2009 ■ Q3 2010/2009 ■ Q4 2010/2009

System Revenues Increased 11.2% due to 8.0% Traffic Growth and 2.8% Yield Improvement

(Y-O-Y Changes in Passenger Revenue)

% Change in Revenue



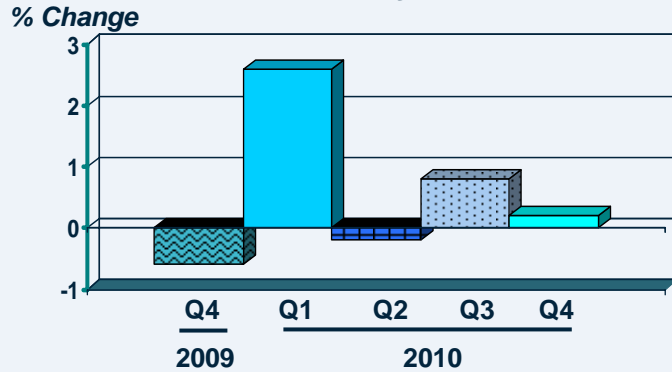
■ Q4 2009/2008 ■ Q1 2010/2009 ■ Q2 2010/2009 ■ Q3 2010/2009 ■ Q4 2010/2009

Canada

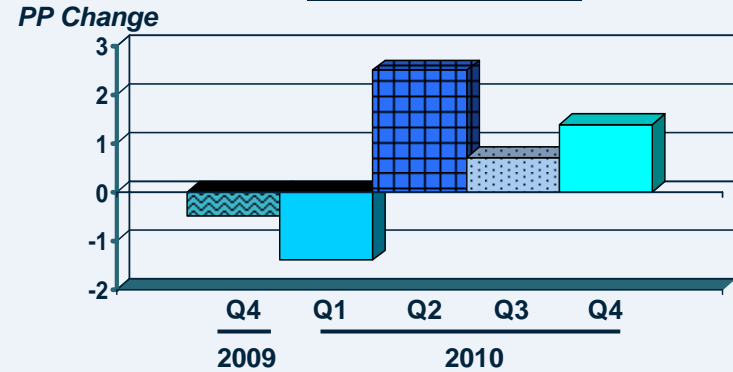
Passenger RASM Incr. 7.1% Mainly Due to 5.3% Yield Growth & 1.4 pp LF Improv.

Y-O-Y Change

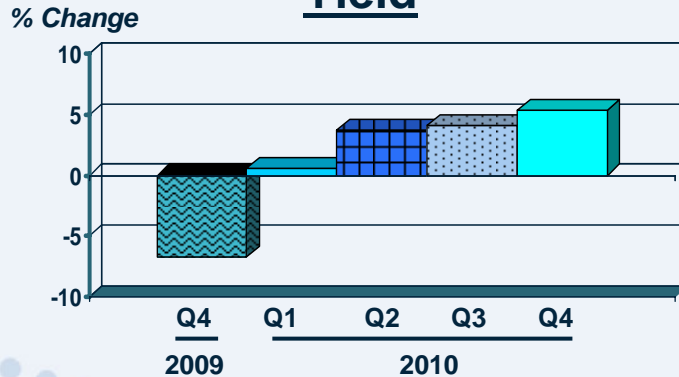
Capacity (ASM)



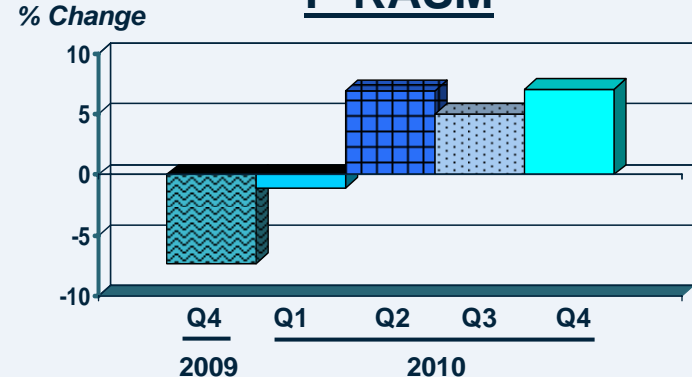
Load Factor



Yield



P-RASM

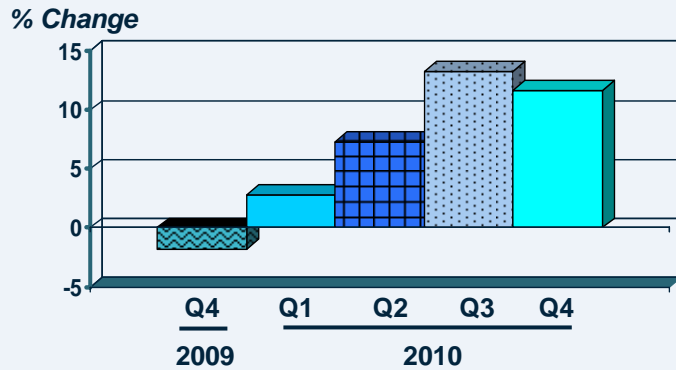


US Transborder

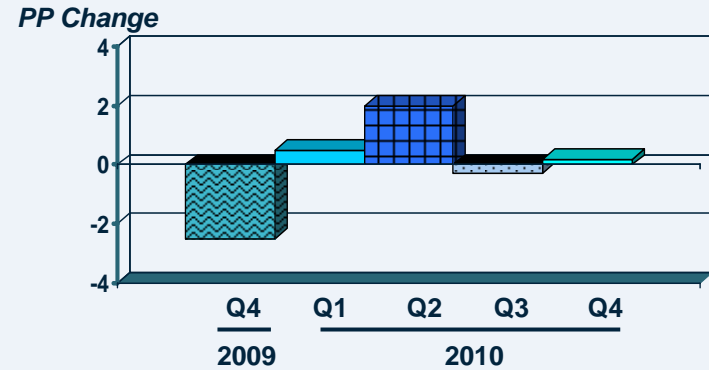
Passenger RASM Decreased 1.0% Due to a 1.3% Decrease in Yield

Y-O-Y Change

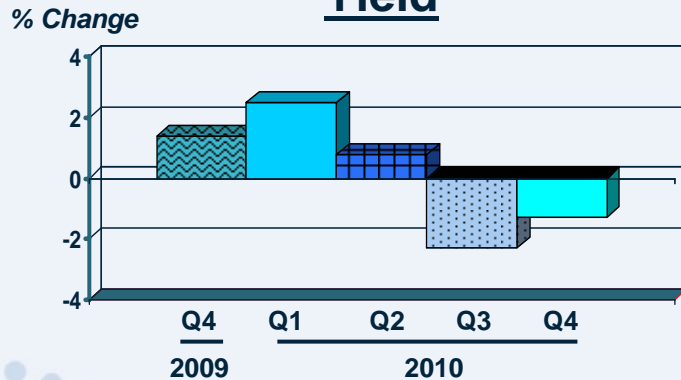
Capacity (ASM)



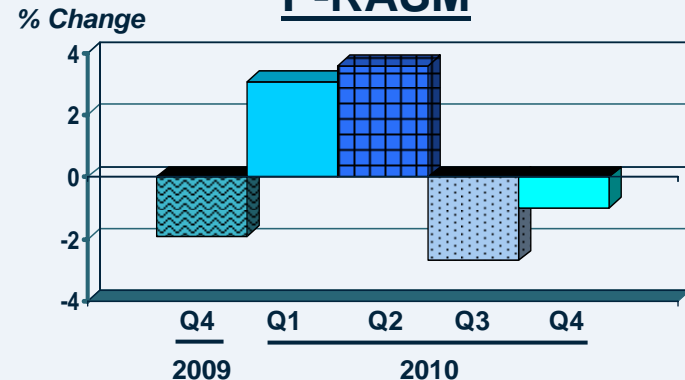
Load Factor



Yield



P-RASM



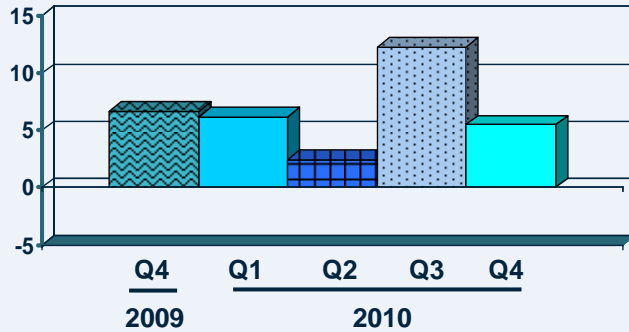
Atlantic

Pass. RASM Incr. 1.7% Due to 4.7% Yield Growth - Partly Offset by 2.8 pp LF Decr.

Y-O-Y Change

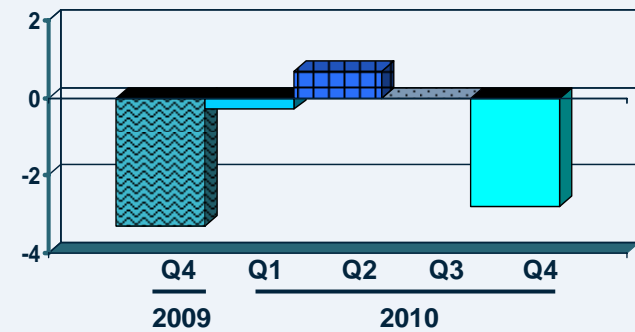
Capacity (ASM)

% Change



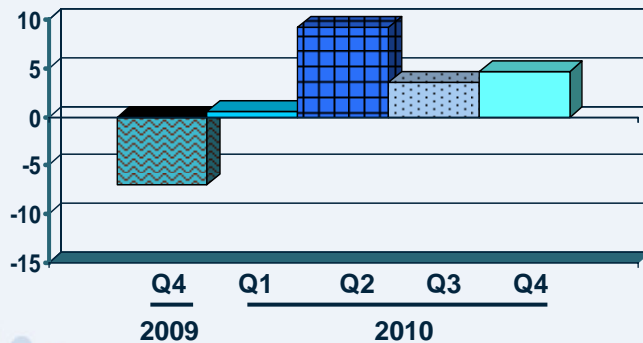
Load Factor

PP Change



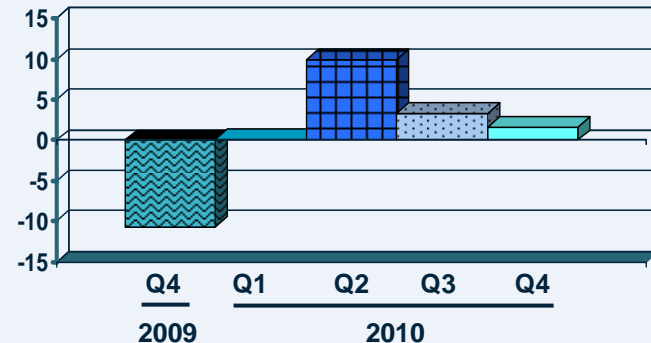
Yield

% Change



P-RASM

% Change

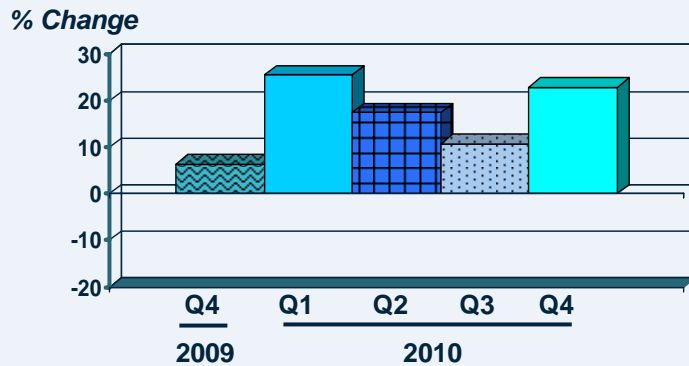


Pacific

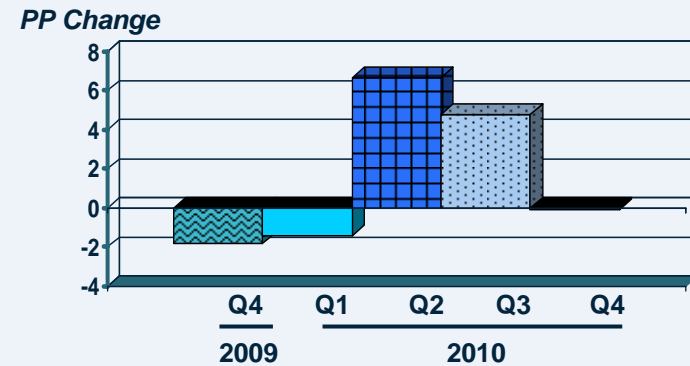
Passenger RASM Increased 7.0% Due to 7.2% Higher Yield

Y-O-Y Change

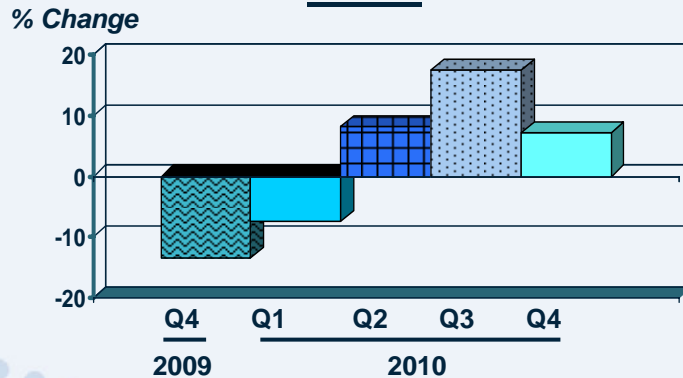
Capacity (ASM)



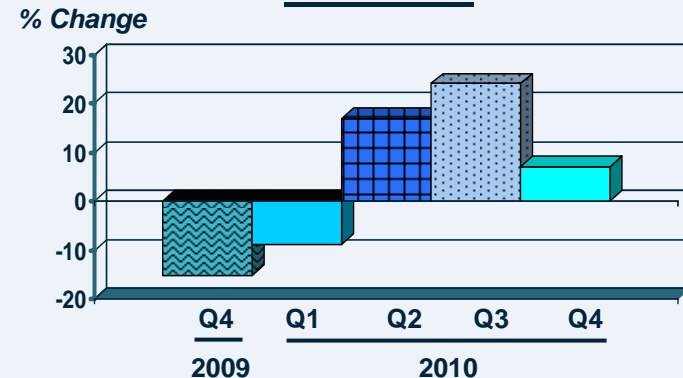
Load Factor



Yield



P-RASM

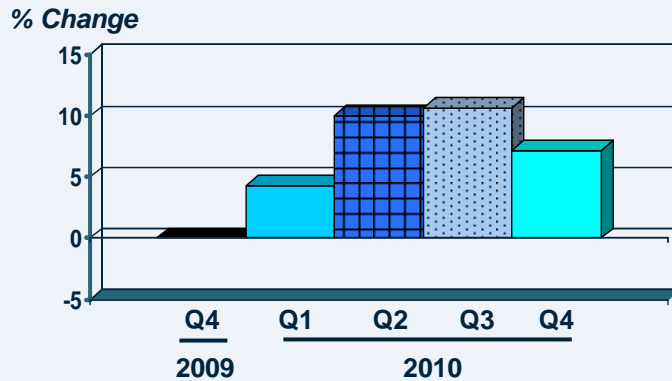


Australia, Caribbean, Mexico & South America ("Other")

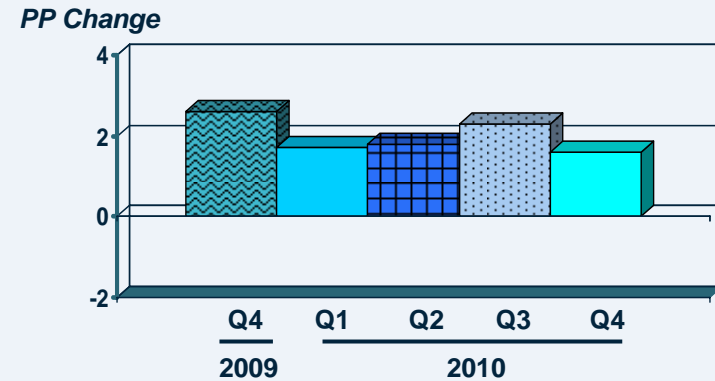
Passenger RASM Incr. 7.5% Due to 5.4% Higher Yield & 1.6 pp LF Improvement

Y-O-Y Change

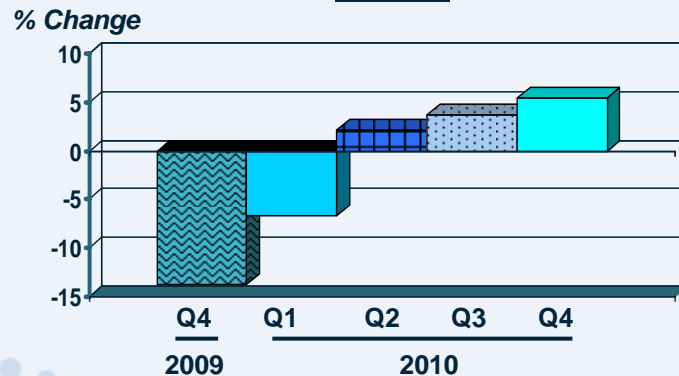
Capacity (ASM)



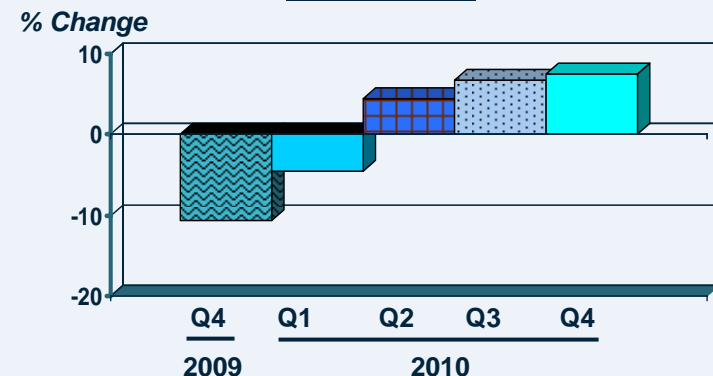
Load Factor



Yield



P-RASM

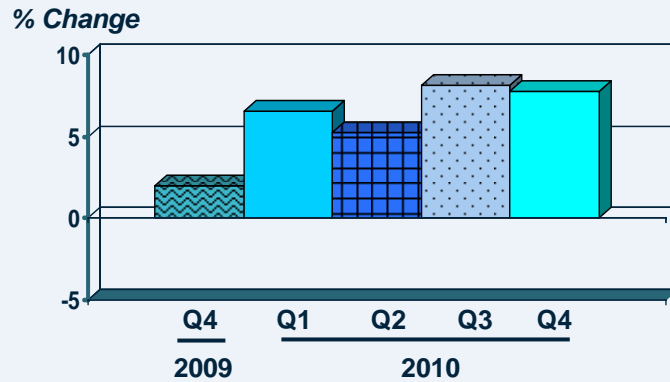


Total / System

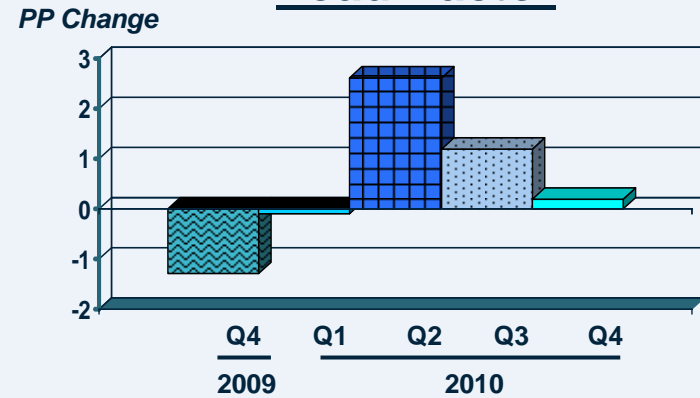
Passenger RASM Increased 3.0% Mainly Due to 2.8% Higher Yield

Y-O-Y Change

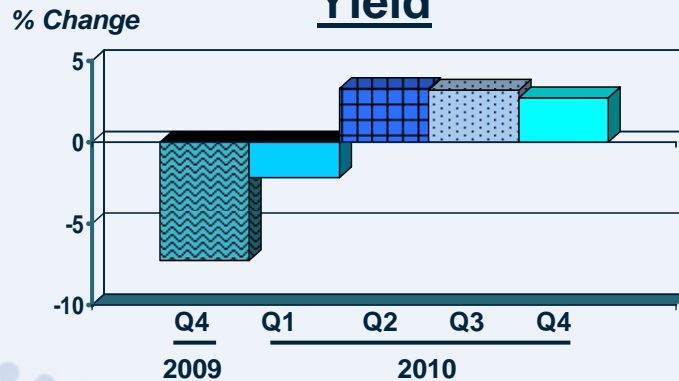
Capacity (ASM)



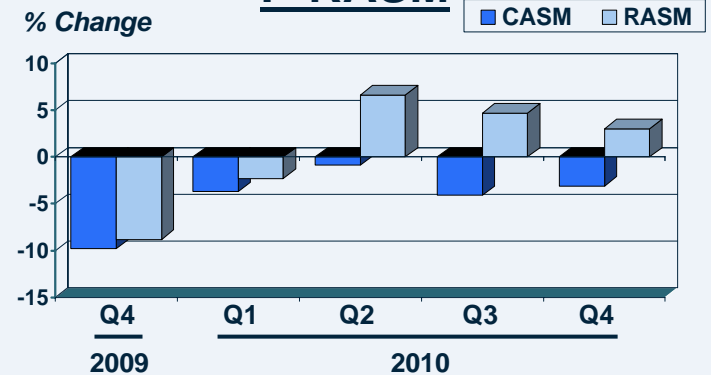
Load Factor



Yield



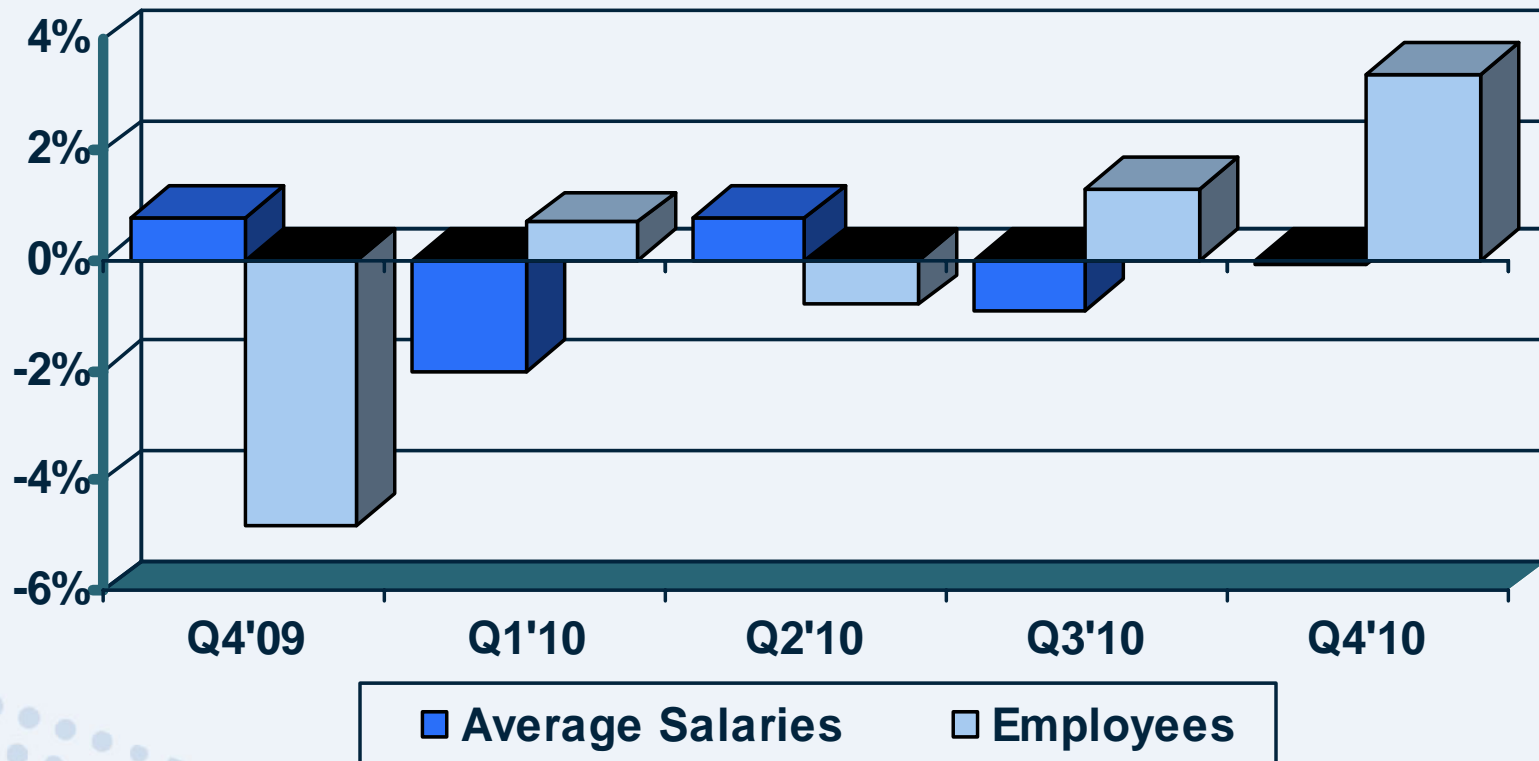
P-RASM



WS&B Expenses Up 12% Mainly Due to Higher Expenses Related to Incentive Compensation Programs and to an Increase in Pension Expense

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

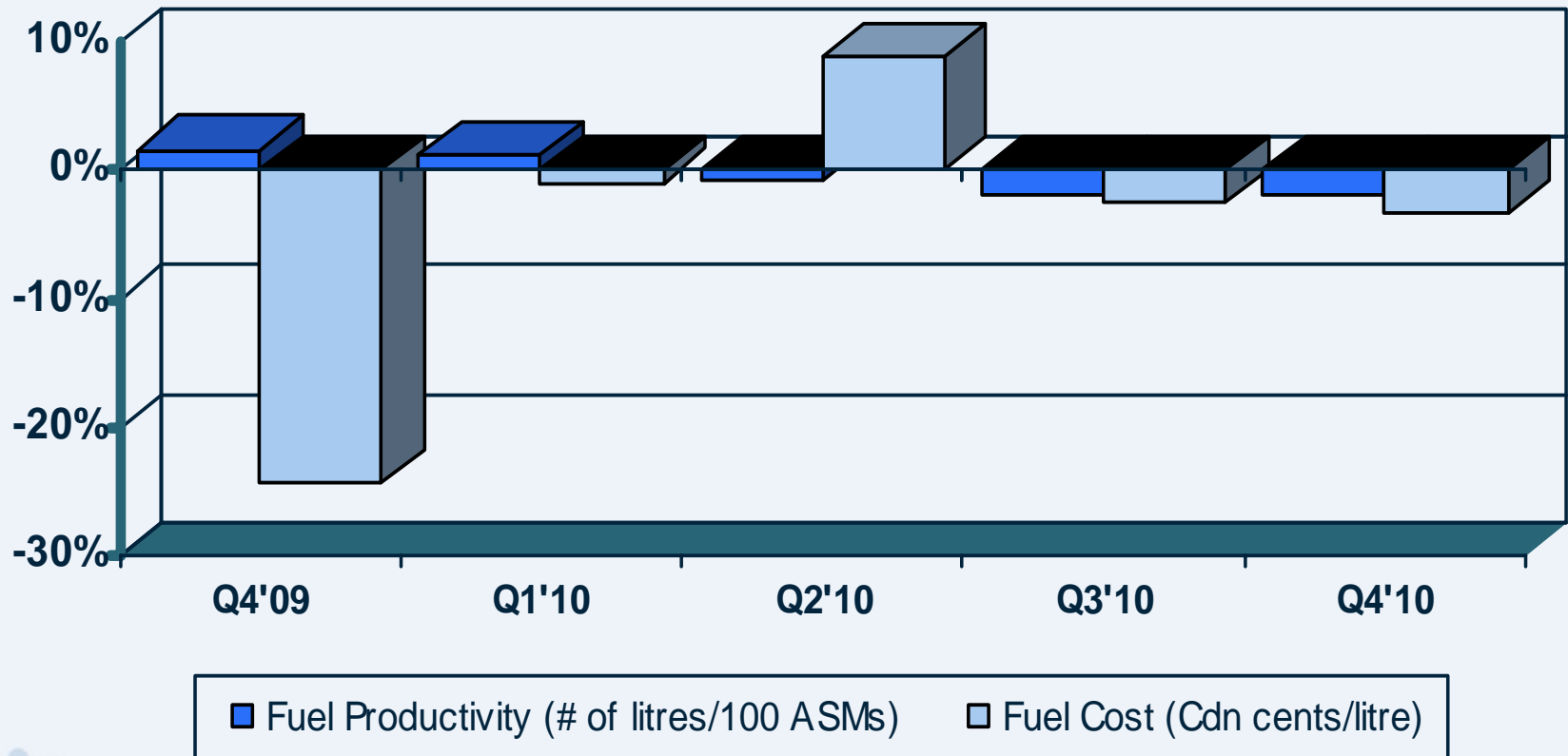
% Change Y-O-Y



Fuel Cost Per Litre Down 3.3% – Fuel Productivity Down 1.9% –
Economic Cost of Fuel Per Litre Up 6%

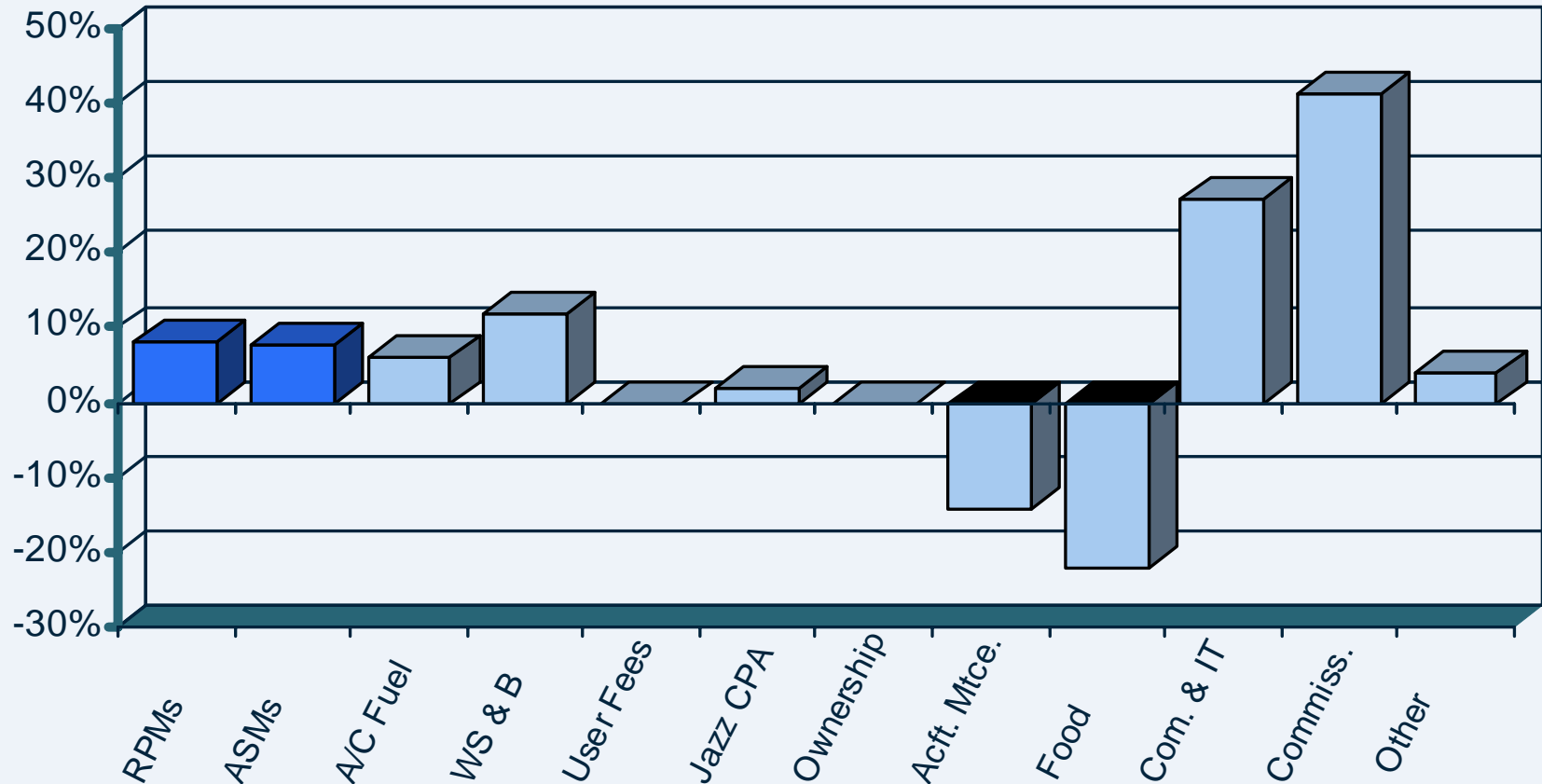
(Fuel Productivity & Cost per Litre)

% Change Y-O-Y



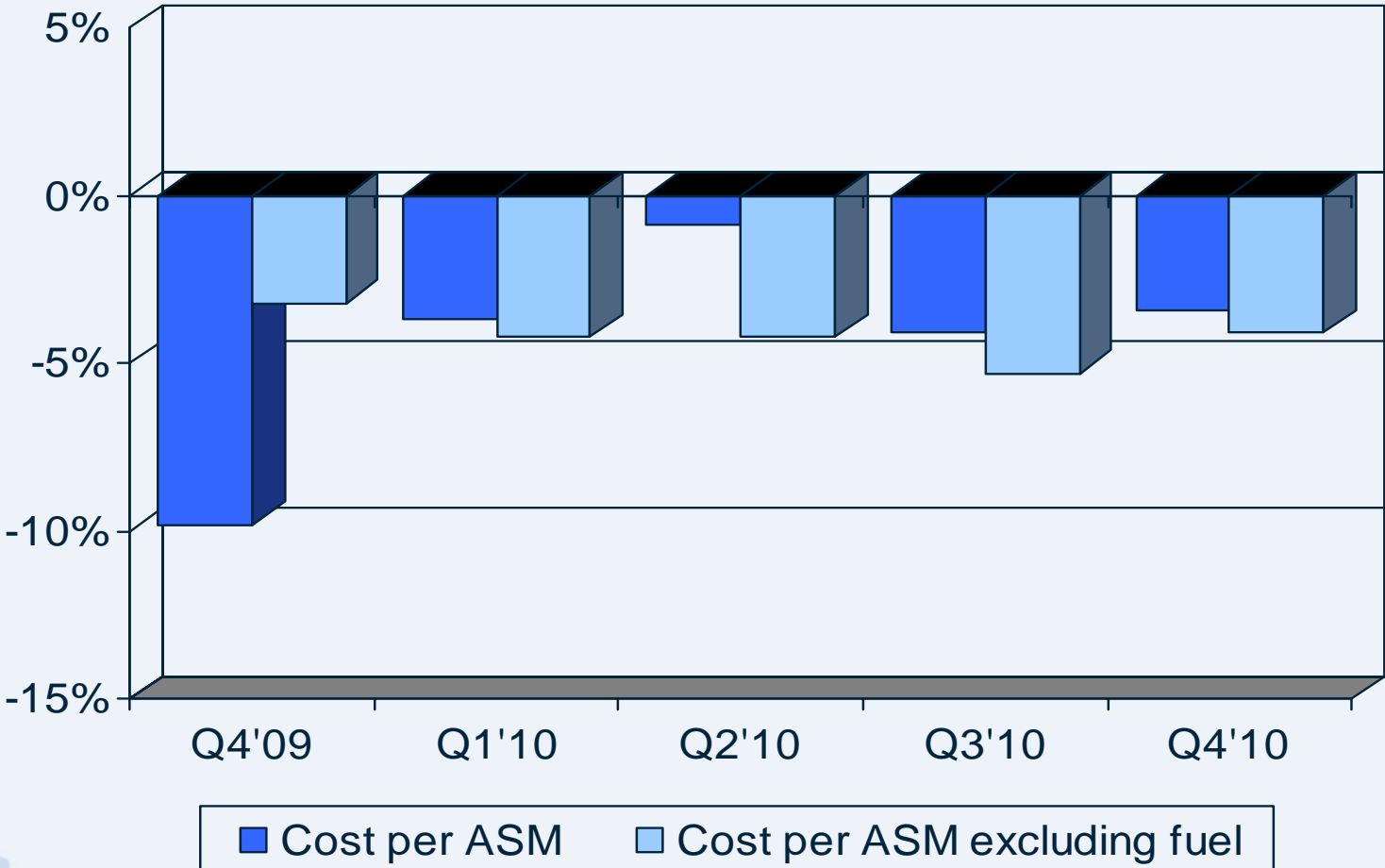
Oper. Exp. Up \$100M Largely on 7.8% ASM Growth, Higher Fuel Prices, Commiss. and WS&B – Partly offset by Fav. FX & Lower Acft. Mtce. Exp.

% Change Y-O-Y



Unit Cost Down 3.4% – Down 4.1% Excl. Fuel – Fav FX, Capacity Growth & CTP Initiatives Contributing Factors

% Change Y-O-Y



Further Information

For further information on Air Canada's public disclosure file, including *Air Canada's Fourth Quarter 2010 MD&A* dated February 10, 2011 and *Air Canada's Annual Information Form*, dated March 26, 2010 consult Air Canada's website at **aircanada.com** or SEDAR at **www.sedar.com**



