2011
First Quarter Financial Results
May 5, 2011
Table of Contents

• Financial Highlights
• Passenger Revenue
• Operating Expense
## Financial Highlights – Results of Operations
### Q1 11 / Q1 10

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

*AIR CANADA*
## Financial Highlights – Financial Position and Cash Flow
### Q1 11 / Q1 10

<table>
<thead>
<tr>
<th>(millions)</th>
<th>Q1 2011</th>
<th>Q1 2010</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from operations</td>
<td>$ 252</td>
<td>$ 292</td>
<td>$ (40)</td>
</tr>
<tr>
<td>Additions to property, equipment &amp; intangible assets</td>
<td>$ (62)</td>
<td>$ (77)</td>
<td>$ 15</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>$ 190</td>
<td>$ 215</td>
<td>$ (25)</td>
</tr>
<tr>
<td>Cash, cash equivalents &amp; short-term investments at March 31</td>
<td>$ 2,114</td>
<td>$ 1,621</td>
<td>$ 493</td>
</tr>
<tr>
<td>Adjusted net debt</td>
<td>$ 4,643</td>
<td>$ 5,254</td>
<td>$ (611)</td>
</tr>
</tbody>
</table>
## Non-Operating Expense
**Q1 11 / Q1 10**

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

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

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
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

Canada  U.S.  Int'l  Total

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

(Y-O-Y Changes in Passenger Yield)

% Change in Yield

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

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)
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

-10% 0% 10% 20% 30%

Canada  U.S.  Int'l  Total

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

Y-O-Y Change

**Capacity (ASM)**

![Graph showing capacity change across quarters of 2010 and 2011](image)

**Load Factor**

![Graph showing load factor change across quarters of 2010 and 2011](image)

**Yield**

![Graph showing yield change across quarters of 2010 and 2011](image)

**P-RASM**

![Graph showing P-RASM change across quarters of 2010 and 2011](image)
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
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

Average Salaries
Employees

Q1'10  Q2'10  Q3'10  Q4'10  Q1'11

% Change Y-O-Y
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

Cost per ASM

Cost per ASM excluding fuel
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](http://aircanada.com) or SEDAR at [www.sedar.com](http://www.sedar.com)