

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

## Financial Highlights – Financial Position and Cash Flow

### Q1 11 / Q1 10

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<i>(millions)</i>	Q1 2011	Q1 2010	Change
<b>Cash flow from operations</b>	\$ 252	\$ 292	\$ (40)
<b>Additions to property, equipment &amp; intangible assets</b>	\$ (62)	\$ (77)	\$ 15
<b>Free cash flow</b>	\$ 190	\$ 215	\$ (25)
<b>Cash, cash equivalents &amp; short-term investments at March 31</b>	\$ 2,114	\$ 1,621	\$ 493
<b>Adjusted net debt</b>	\$ 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)
<b>Total Non-Operating Expense</b>	<b>\$ 47</b>	<b>\$ 23</b>	<b>\$ 24</b>

## 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
<b>Total</b>	<b>↑ 10.3</b>	<b>↑ 7.7</b>	<b>↑ 5.7</b>	<b>↓ 1.5</b>	<b>↑ 4.2</b>	<b>↑ 2.2</b>

Total Operating Expense      ↑ 6.0%

Total CASM      ↓ 1.4%

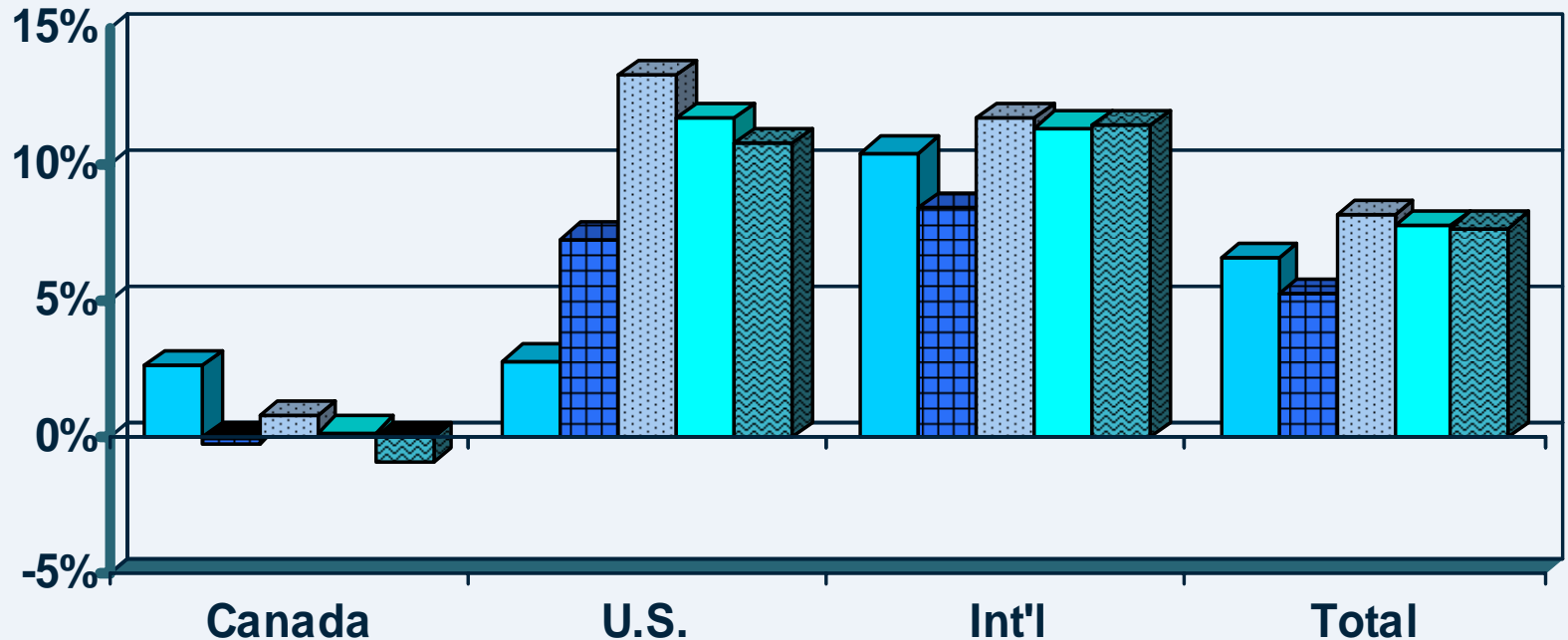
Total CASM - excluding fuel      ↓ 5.3%

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

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(Y-O-Y Changes in Capacity)

*% Change in ASMs*

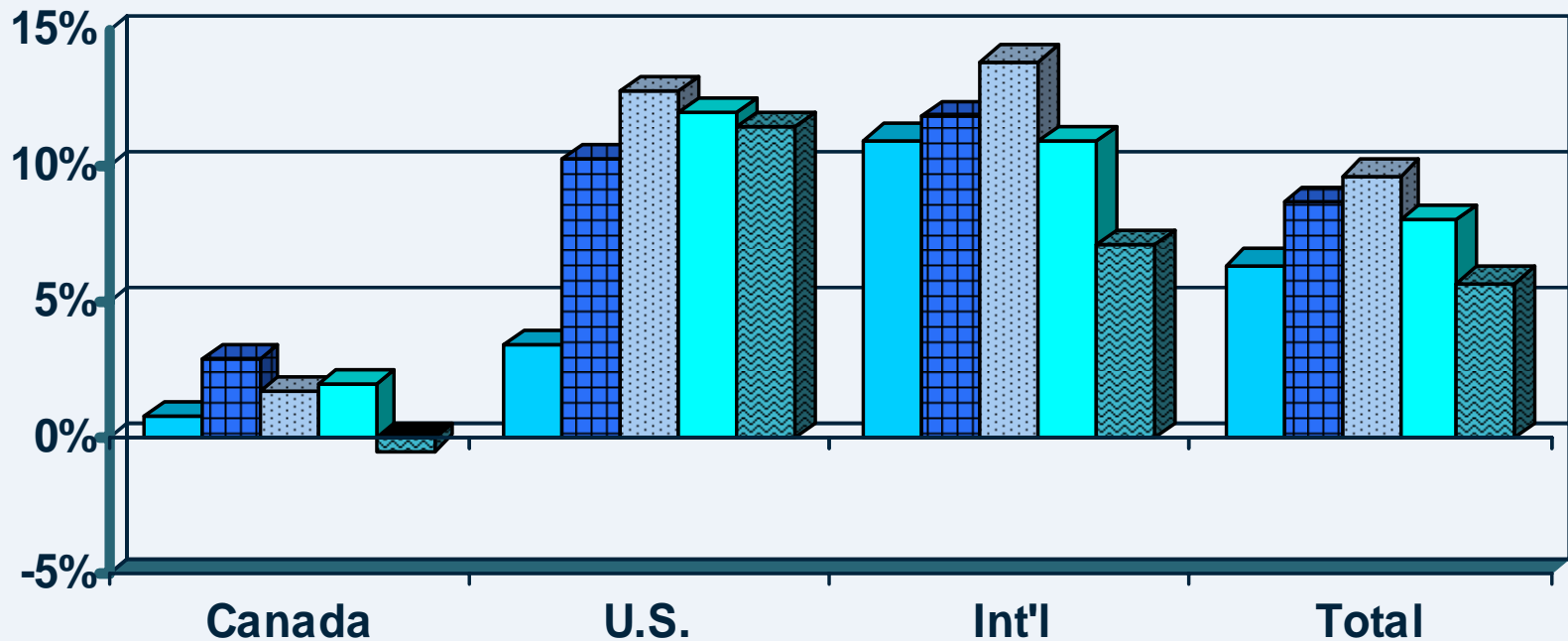


■ Q1 2010/2009 
 ■ Q2 2010/2009 
 ■ Q3 2010/2009 
 ■ Q4 2010/2009 
 ■ Q1 2011/2010

# 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*



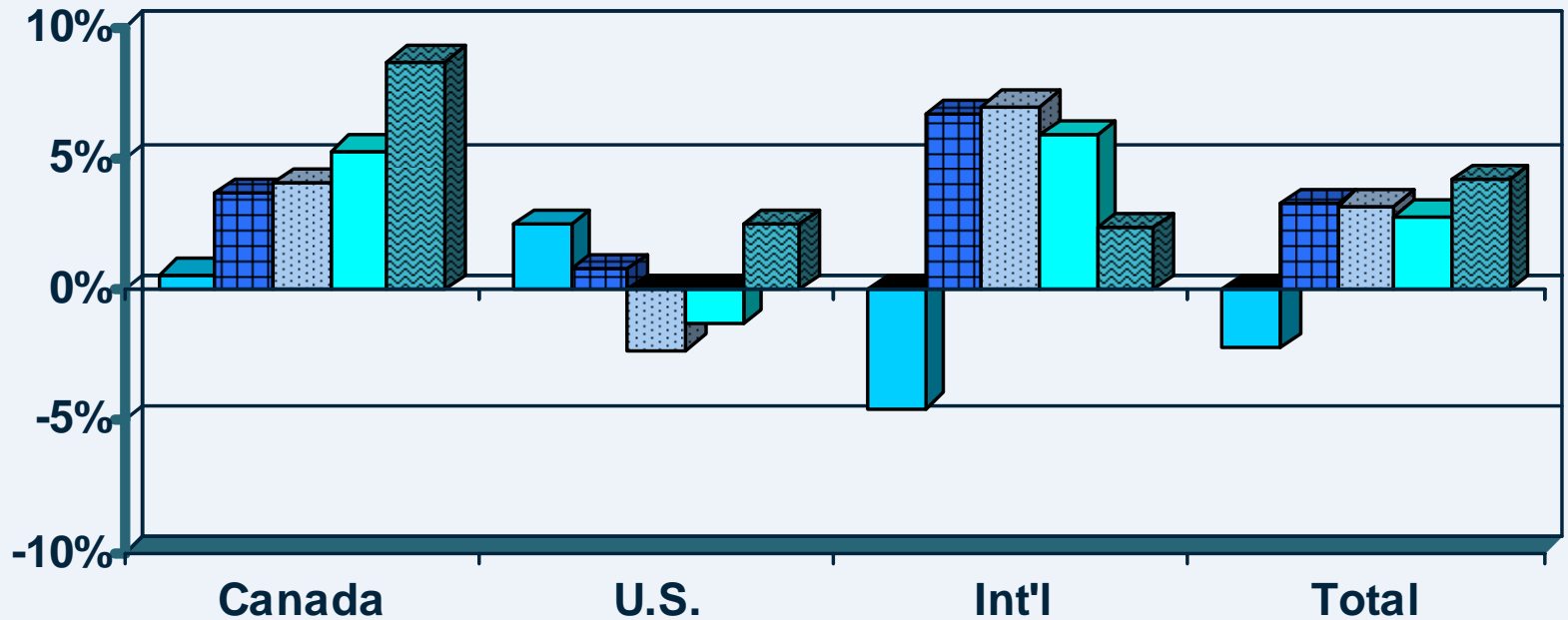
■ Q1 2010/2009 ■ Q2 2010/2009 ■ Q3 2010/2009 ■ Q4 2010/2009 ■ Q1 2011/2010



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

## (Y-O-Y Changes in Passenger Yield)

*% Change in Yield*

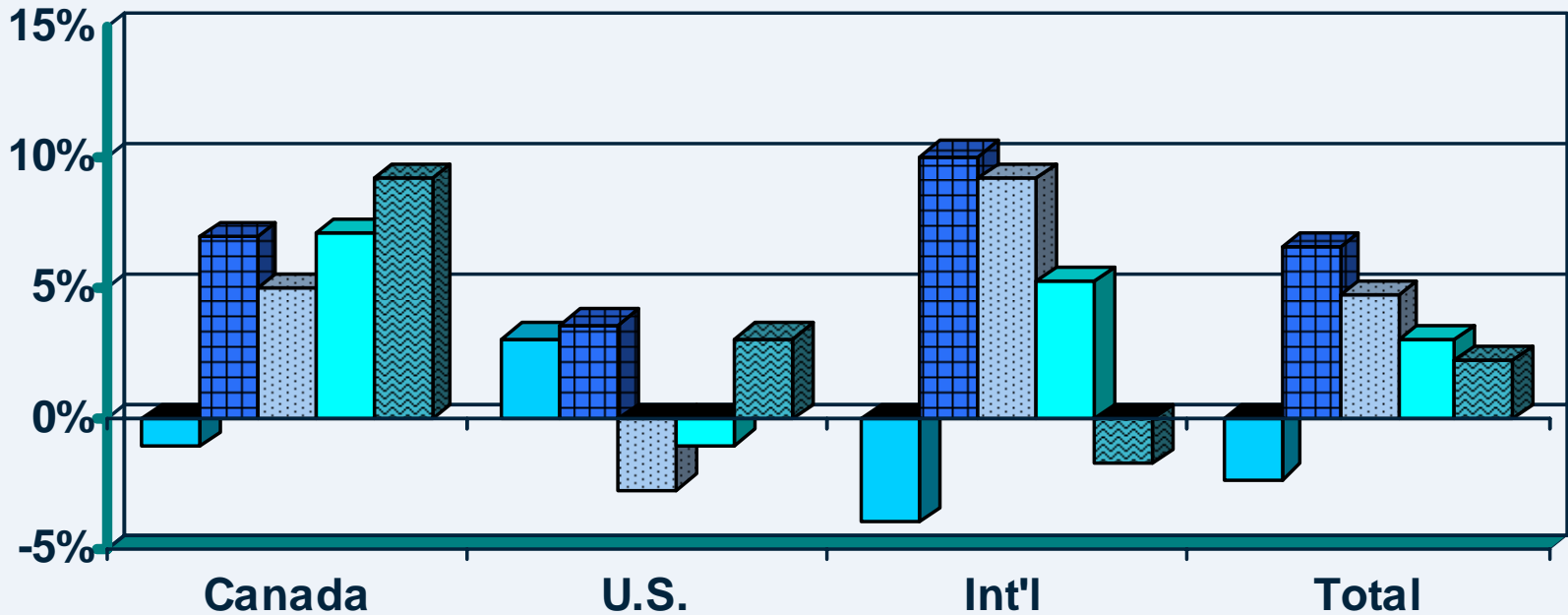


■ Q1 2010/2009 ■ Q2 2010/2009 ■ Q3 2010/2009 ■ Q4 2010/2009 ■ Q1 2011/2010

# 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*



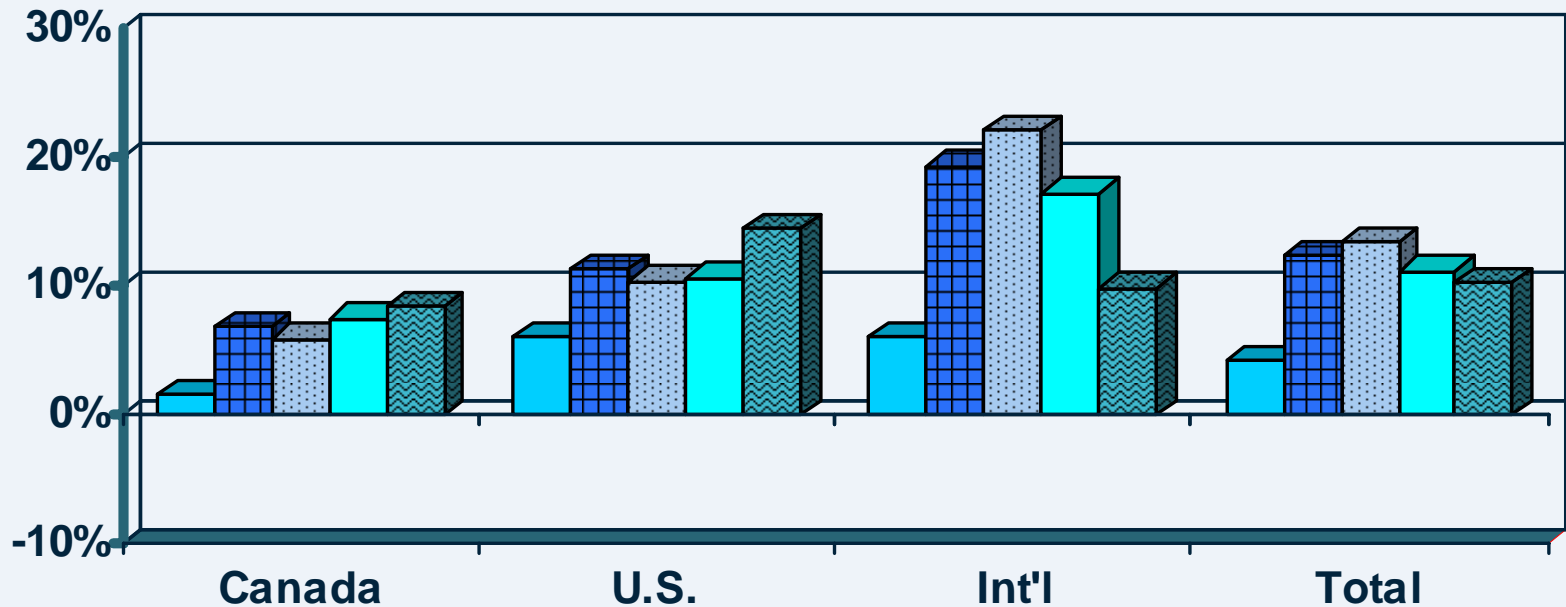
■ Q1 2010/2009 ■ Q2 2010/2009 ■ Q3 2010/2009 ■ Q4 2010/2009 ■ Q1 2011/2010

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

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## (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

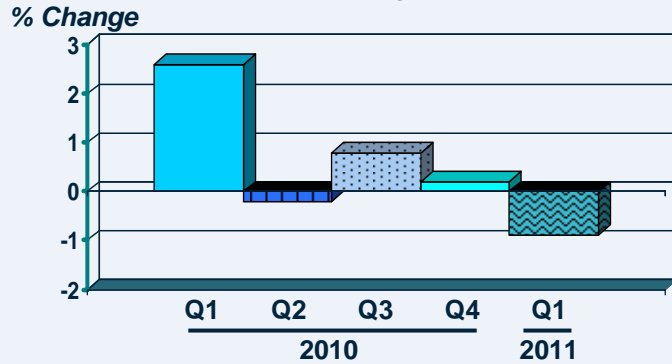
# Canada

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

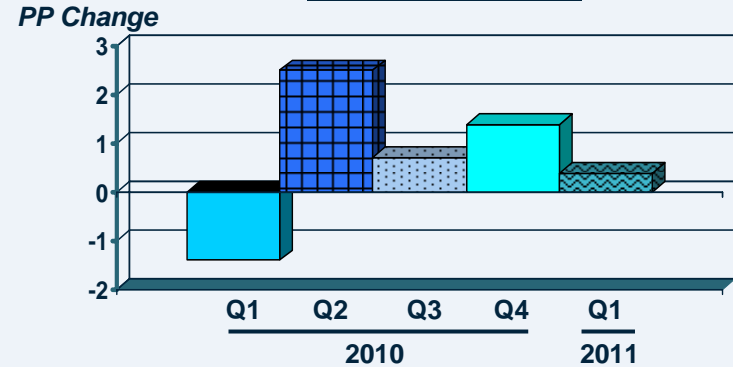
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## Y-O-Y Change

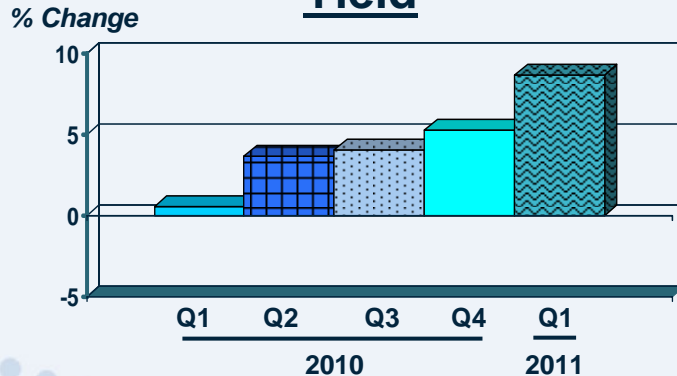
### Capacity (ASM)



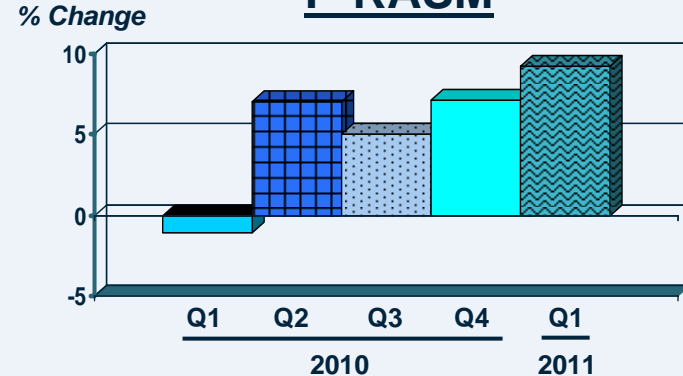
### Load Factor



### Yield



### P-RASM

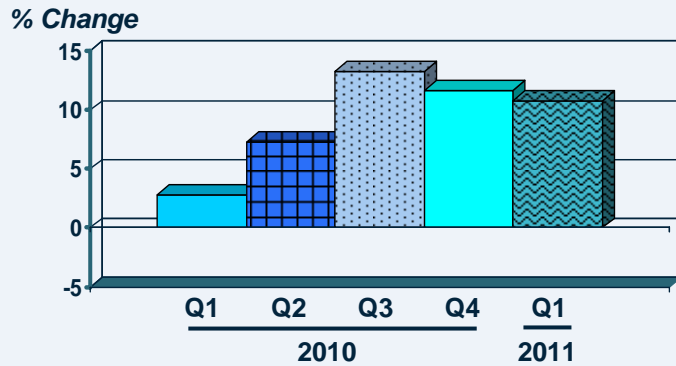


# US Transborder

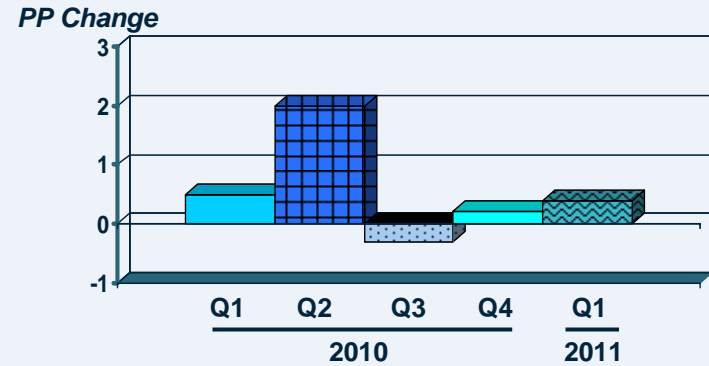
Passenger RASM Increased 3.1% Mainly Due to a 2.5% Growth in Yield

## Y-O-Y Change

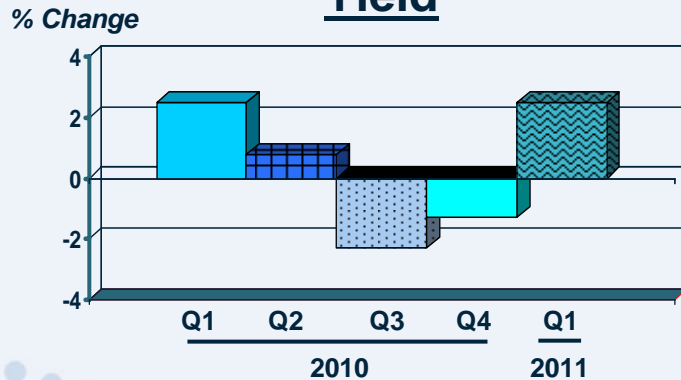
### Capacity (ASM)



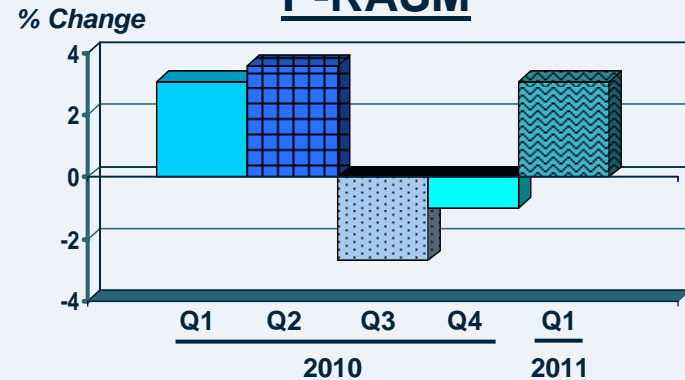
### Load Factor



### Yield



### P-RASM

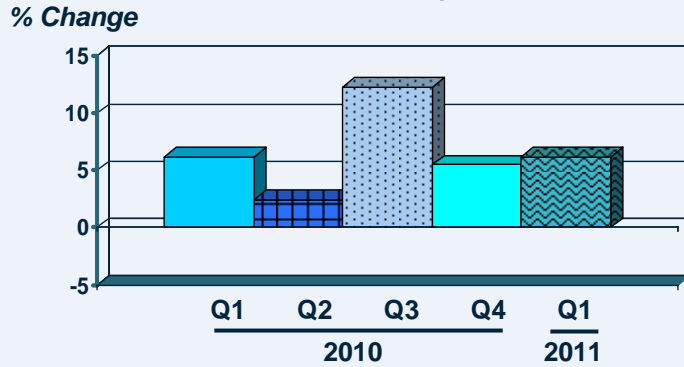


# Atlantic

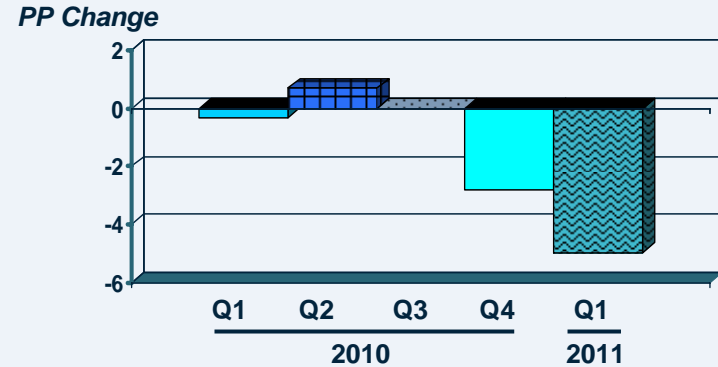
Pass. RASM Decr. 5.4% Due to 5.0 PP Decr. In LF - Partly Offset by 1.3% Yield Incr.

## Y-O-Y Change

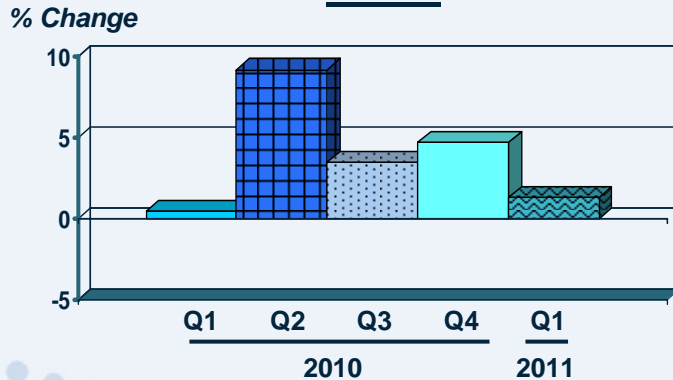
### Capacity (ASM)



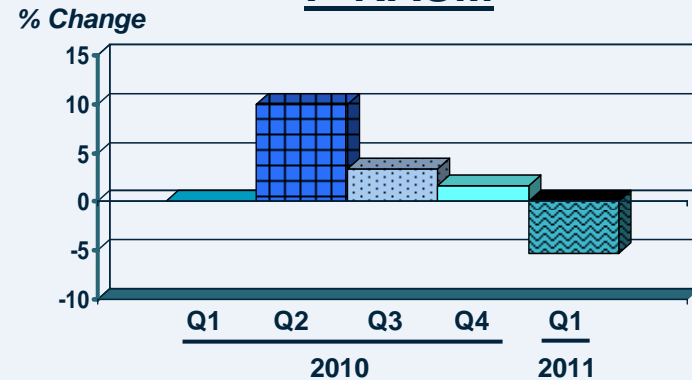
### Load Factor



### Yield



### P-RASM

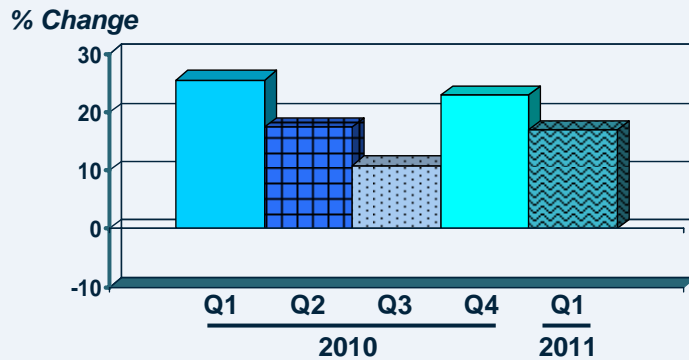


# Pacific

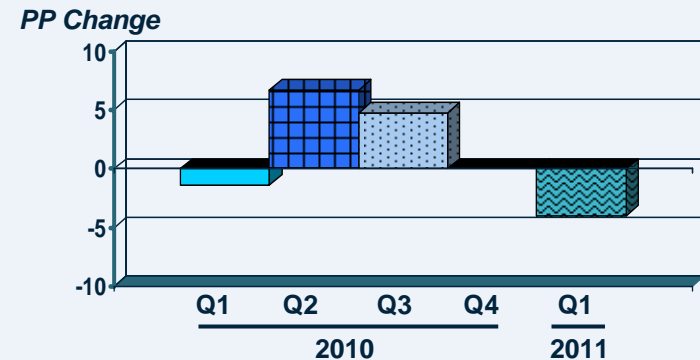
Passenger RASM Decreased 3.9% Mainly Due to 4.0 PP Decrease In LF

## Y-O-Y Change

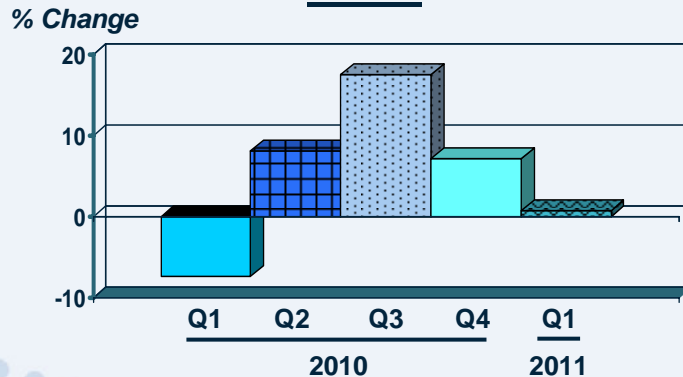
### Capacity (ASM)



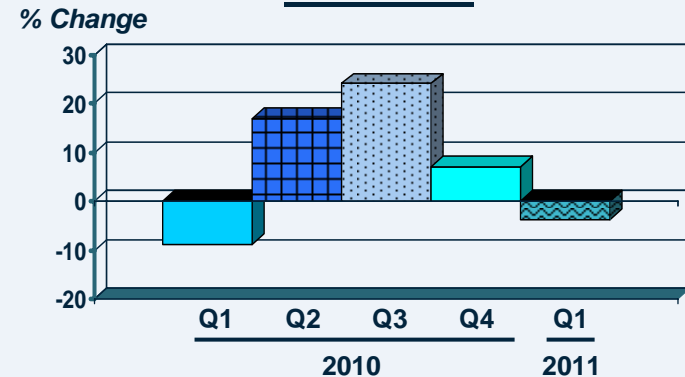
### Load Factor



### Yield



### P-RASM

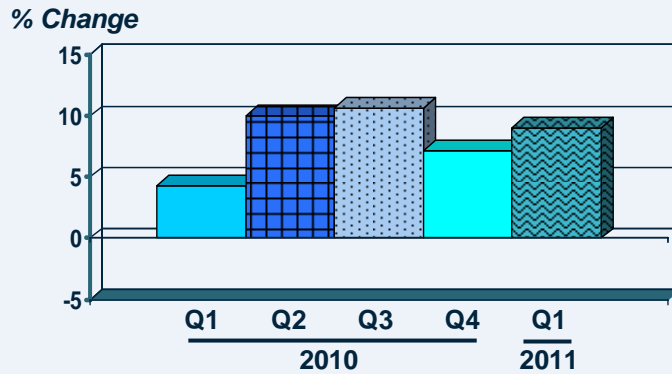


# Australia, Caribbean, Mexico & South America ("Other")

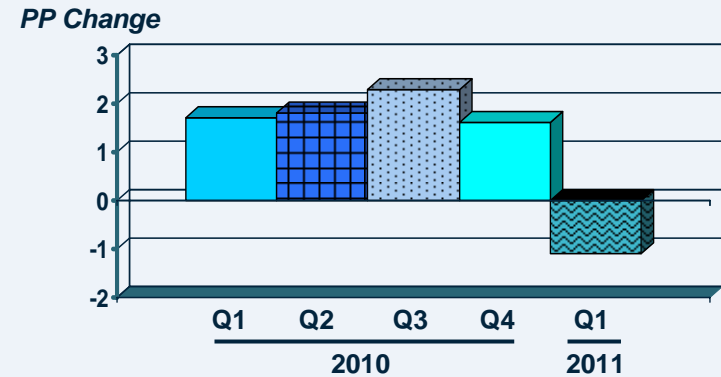
Passenger RASM Incr. 6.7% Due to 8.1% Higher Yield; Partially Offset by 1.1 PP LF Decrease

## Y-O-Y Change

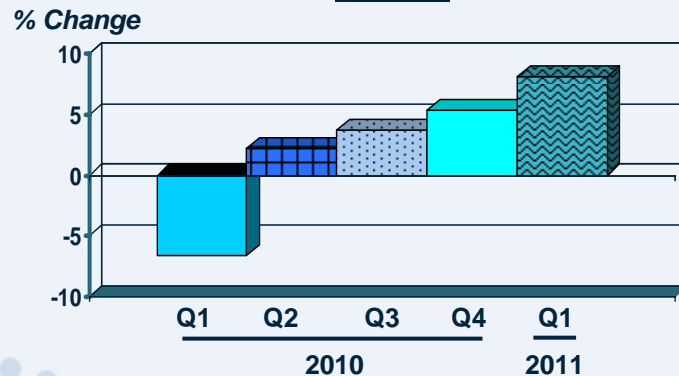
### Capacity (ASM)



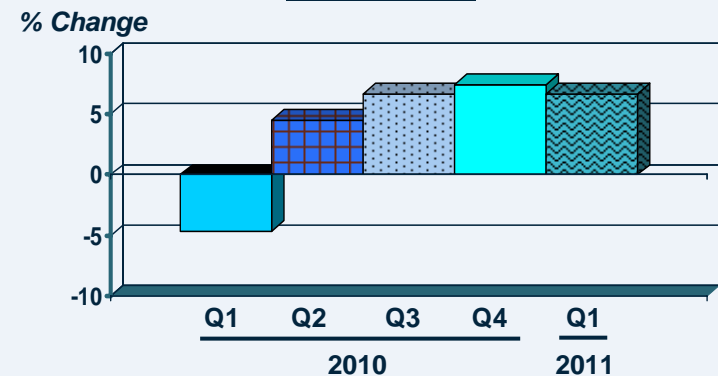
### Load Factor



### Yield



### P-RASM



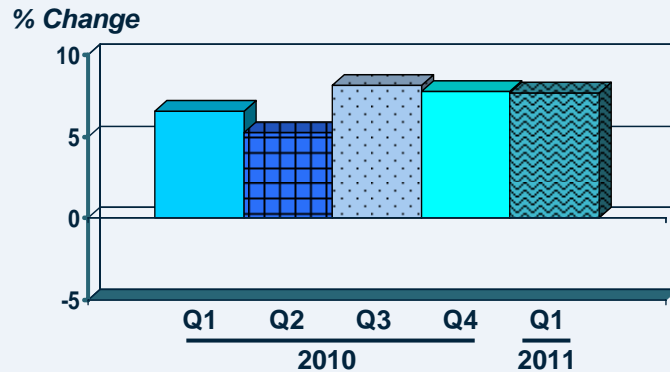


# Total / System

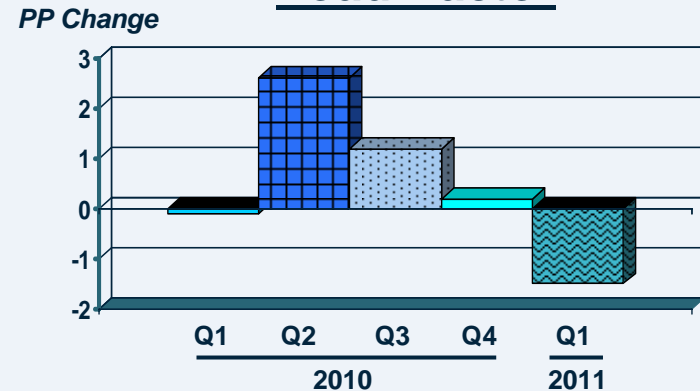
Passenger RASM Increased 2.2% Mainly Due to 4.2% Higher Yield; Partially Offset by LF Decrease of 1.5 PP

## Y-O-Y Change

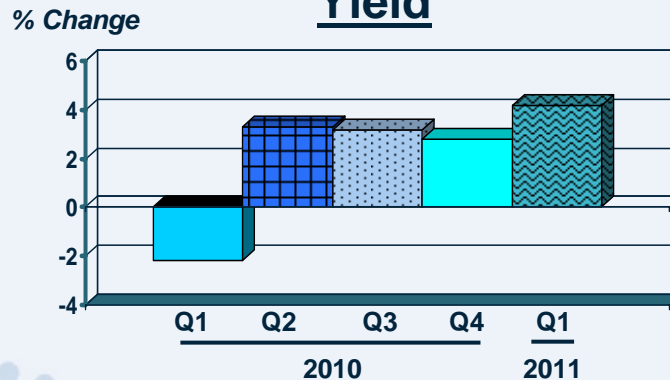
### Capacity (ASM)



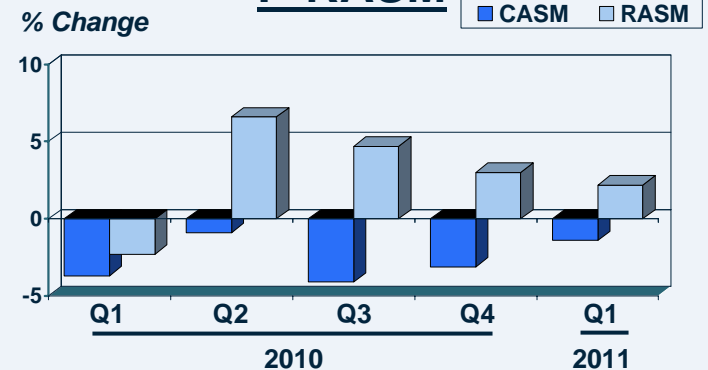
### Load Factor



### Yield



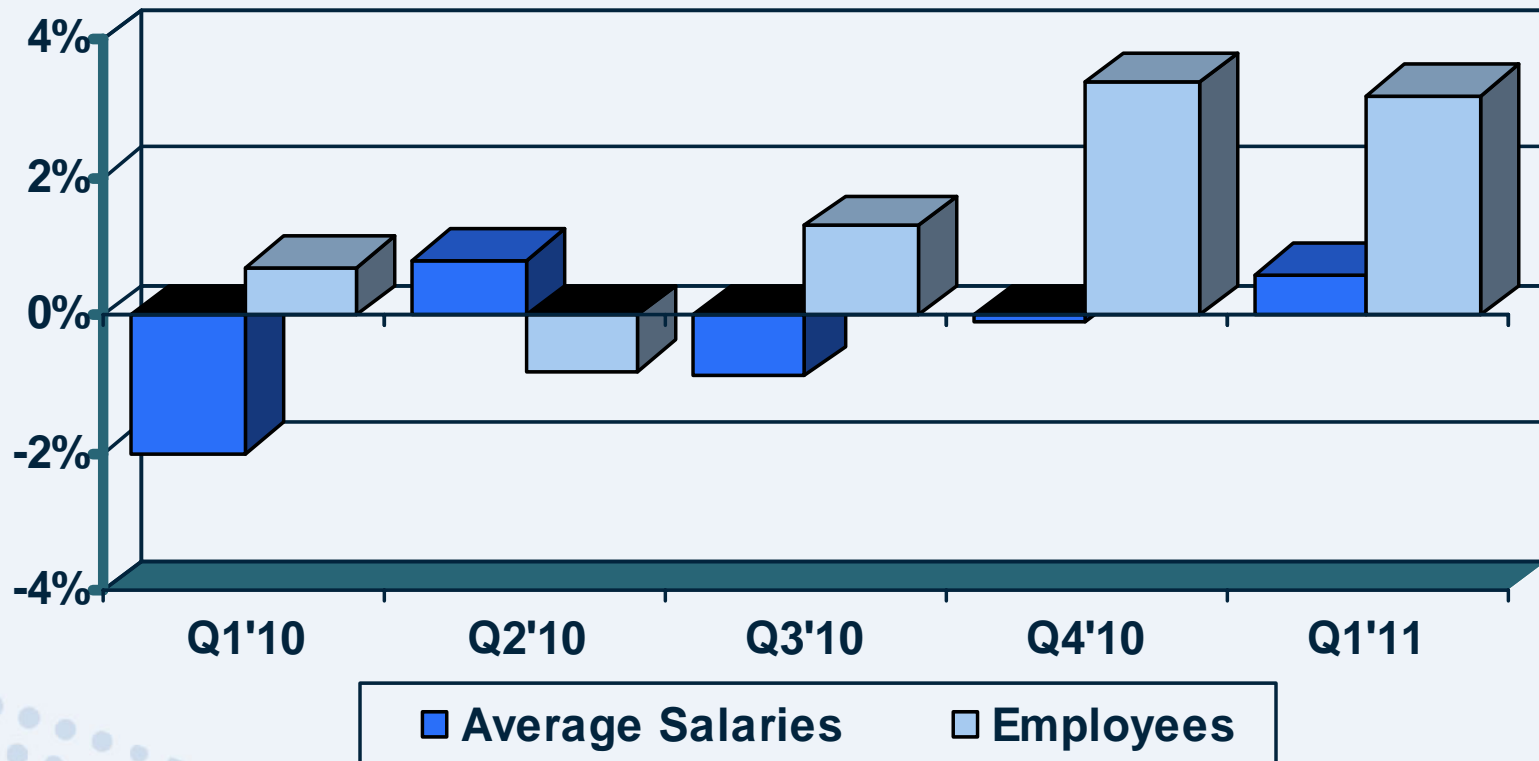
### P-RASM



# 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)

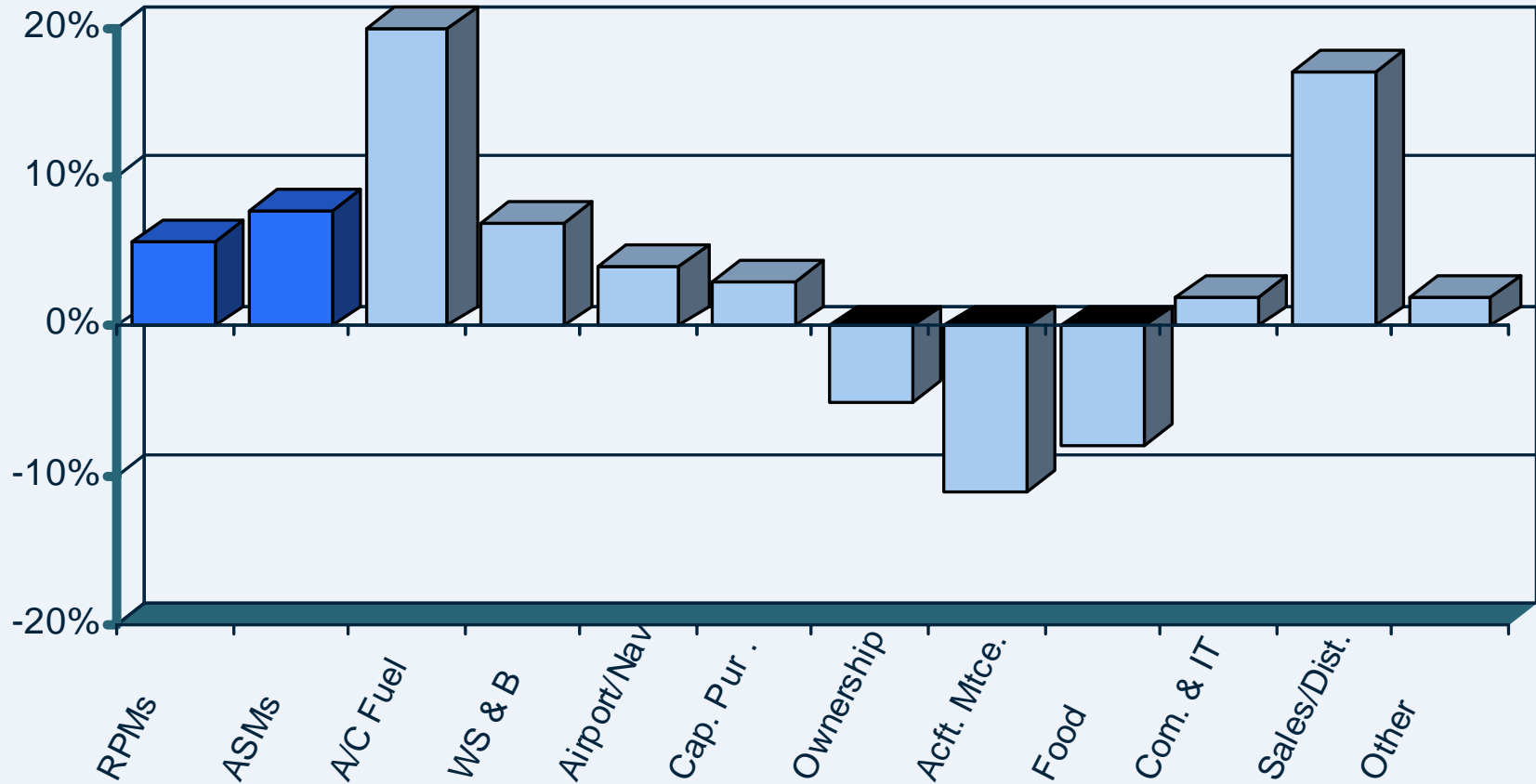
% Change Y-O-Y



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

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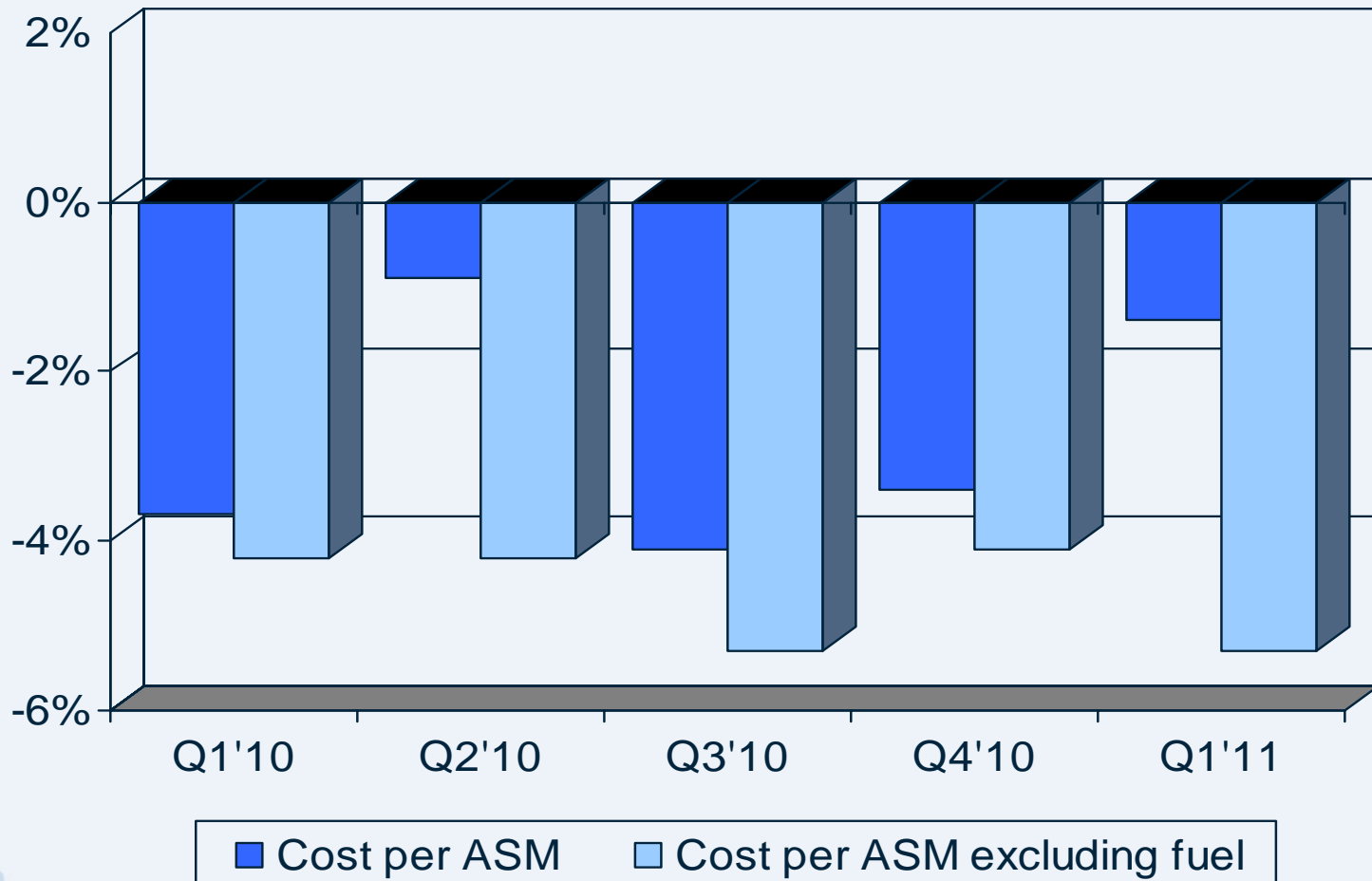
**% Change Y-O-Y**



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

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% Change Y-O-Y



## Further Information

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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)**



